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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

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'CENTRAL VILLAGE' ESTABLISHMENT DISCUSSED

Prague KONTROLA in Czech No 7, 1982 pp 17-19

[Article by Antonin Kottbauer, Doctor of Law, Ministry of Labor and Social Affairs of the CSSR: "An Important Change in the Law Concerning National Committees"; portions within slantlines in boldface]

[Text] At meetings on 27 April 1982 the Czech National Council [CNR] and the Slovak National Council [SNR] approved laws which change and supplement the Law Concerning National Committees and which alter the authority of local national committees in central villages.

These laws were among the measures discussed at the Sixth Plenum of the CPCZ Central Committee held on 20 and 21 April 1982 (Report Concerning National Committee Tasks After the 16th Party Congress, presented by Comrade J. Polednik at the Sixth Plenum of the CPCZ Central Committee on 20 April 1982; RUDE PRAVO, 21 April 1982, No 93, pp 3, 4 and RUDE PRAVO, 22 April 1982, p 94). This also follows from the concluding remarks of Comrade Josef Kempny, CPCZ Central Committee Presidium member and CNR chairman, in which he stated that the adopted law is the first of the laws which will aid in implementing the conclusions of the 16th CPCZ Congress, the Sixth Plenum of its Central Committee and additional documents of the CPCZ Committee Presidium. (RUDE PRAVO, 28 April 1982, No 99, p 2).

The purpose of this article, therefore, is to provide information concerning these laws. In the ensuing discussion we will base our comments on the CNR Law which changes and supplements the Law Concerning National Committees and modifies the authority of local national committees in central villages (hereafter referred to as "the law"), bearing in mind that a similar law approved by the SNR is based on the same principles.

The above laws have updated Law No 69/1967, Laws of the CSSR, concerning national committees, as this is stated in the laws which change and supplement it (the full text for the CSR is contained in No 28/1972, Laws of the CSSR, and for the SSR in No 27/1972, Laws of the CSSR).

Since the beginning of the sixties, a gradual integration of villages and local national committees has been taking place. In 1955, there were 10,816 villages in the CSR and the same number of local national committees, or town national committees. In 1980, there were 4,778 villages in the CSR and

4,116 local or town national committees, while for 1,011 villages 315 joint local national committees had been formed. (Explanatory Report for a Government Proposal for a CNR Law to change and supplement the Law Concerning National Committees and the modify the authority of local national committees in central villages. CNR Publication No 21 (hereafter referred to as "Explanatory Report"), p 8). An attempt to reduce the number of the smallest of these administrative units has been characteristic of developments in recent years. A situation has solved, however, in which town national committees in small villages continue to function along with national committees in central villages. Moreover, all local national committees have the same position, the same authority and jurisdiction.

The main objective of the adopted laws, therefore, is to raise the quality of national committee work in central villages, to improve the performance of state administration and to better support the comprehensive development of central village life. For this reason, national committees in these villages must be provided with the necessary authority and jurisdiction.

The successful fulfillment of the measures adopted by the Sixth CPCZ Central Committee Plenum requires that the legal adjustment of central village national committees be adopted without delay, even before the overall updating of the Law Concerning National Committees which is being prepared. The adoption of laws is related to the creation of the material and personnel preconditions in central villages so that they may gradually become the base for the social and economic development of the surrounding territory.

In a village designated by the kraj national committee, on the recommendation of the district national committee, as a central village (hereafter referred to as a "central village"), the local national committee functions with expanded authority. With citizen agreement, a single local national committee may be created for several villages.

Upon recommendation of local national committees, the district national committee makes decisions concerning these measures. The kraj national committee may determine, on the recommendation of the district national committee, that a local national committee for several villages has the authority of a local national committee in a central village (Article I, No 1 of the Law--change in Section 9 of the Law Concerning National Committees--hereafter referred to as "Law Concerning National Committees").

A central village is understood to be a selected village specifically designated by a kraj national committee on the recommendation of a district national committee, along with newly formed territorial administrative divisions (compare with Section 5 of the Law Concerning National Committees), in which basic level national committees will act with expanded authority and jurisdiction. In these selected villages there will be a gradual and differentiated creation of the material, financial, personnel and organizational preconditions for the more effective functioning of the organs of state power, administration and delivery of services (see CSSR Government Resolution No 55 of 4 March 1982 concerning the principles of more effective management and more flexible support of the development of paid services) for the population living within the territorial administrative division.

In accordance with existing legal precedent, the possibility that expanded authority and jurisdiction may be exercised also by a local national committee which has been established for several villages but where the formal merger will take place at a later time.

Upon designation of a selected village as central there is a direct legal expansion of the existing authority of the local national committee in this village. The kraj national committee should carry out the designation of central villages through a generally binding ordinance (compare Article 94 of the CSSR Constitution, Section 39, Paragraph 2, letter j) and Section 46, Paragraph 3 of the Law Concerning National Committees). A government resolution will inform the kraj national committees of this procedure.

The creation of basic level national committees for larger territorial units should lead to an absolute decline in the number of delegates. The further development of socialist democracy and an increase in worker participation in the formation and the performance of state administration nevertheless requires a strengthening of the elected organs of the National committees. The number of delegates at specific national committee levels has been modified previously by Section 13 of the Law Concerning National Committees in such a way that the national committee itself is to establish the number of its delegates while retaining the legally required minimal number. In the 1981 general elections to the representative bodies a higher number of delegates than required by the current legal modification was in all instances elected to local national committees in central villages and to town national committees (Explanatory Report, p 10). The supplement to Section 13 of the Law Concerning National Committees (Article I, No 2 of the Law) is, then, an expression of the actual situation.

Article I, No 4 of the law adds regulation Section 25A to the Law Concerning National Committees. According to this, in addition to the authority flowing from Section 25 of the Law Concerning National Committees (the authority of the local national committee), it is appropriate for the local national committee in a central village to set up, manage and liquidate small operations (Principles for Setting Up and Administering Small Operations of National Committees, approved by CSR Government Resolution No 156 of 24 June 1970, announced in Part 23/1970, Laws of the CSSR, and Principles for Setting Up and Administering Small Operations of National Committees, approved by SSR Government Resolution No 12 of 20 January 1971, announced in Part 5/1971, Laws of the CSSR) and, depending on conditions also a service enterprise providing basic services to citizens and the facilities or organization for the administration and the upkeep of the apartment stock, if this is appropriate given the amount of this property; to express itself concerning proposed district development plans, medium-range and implementation economic plans and district national committee budgets; the district national committee is required to discuss these proposals with the local national committees in the central villages and to inform them of the conceptions which have been approved, of economic plans and budgets and their fulfillment.

In their relations with organizations managed by higher level national committees, the local national committees in central villages are authorized to request reports concerning the activities of these organizations insofar as these concern the living conditions of village inhabitants and the tasks of the local national committee pertaining to the development of its territory (No 1); to request of these organizations the negotiation of corrections upon the determination of shortcomings (compare Principles of Control in the National Economy and in State Administration, approved by CSSR Government Resolution No 108 of 14 April 1982, CSR Government Resolution No 139 of 12 May 1982, and SSR Government Resolution No 129 of 28 April 1982) in their activity, insofar as these have resulted in the violation of socialist legality or public interests and thereby threatened the just needs or living conditions of the village population; /organizations are required within a specific period of time to inform the national committee how and by what time they will eliminate the shortcomings/ (No 2).

An important right of local national committees in central villages is /to request of organizations the levying of criminal procedures (Section 77 of the Labor Code) or other penalties on an employee responsible for shortcomings which have not been eliminated by the deadline announced by the organization to the national committee/ (No 3).

The local national committee in a central village must agree to the location and opening of new operations or service enterprises and to the expansion, limitation or elimination of services; after discussions with the organizations and with the appropriate ROH [Revolutionary Trade Union Movement] organs it establishes the hours of operation for providing services to citizens (No 4) (compare Section 21 of DNR Law No 127/1981, Laws of the CSSR, concerning domestic commerce, and Section 21 of SNR Law No 130/1981, Laws of the CSSR, concerning domestic commerce); it expresses itself on recommendations for the appointment and discharging of managers for operations and facilities; /in the event of serious and repeated shortcomings in the activities of operations and facilities it may propose discharging their managers./

In its relations with centrally administered economic, cooperative and other organizations, a local national committee in a central village has the rights mentioned above as Nos 1, 2, 3 and 4. In addition, it is empowered to propose to the district national committee the suspension of output, resolution or other measure of a IZD [United Agricultural Cooperative] which is in conflict with the legal regulations or statutes of the JZD or with the cooperation or organizational contracts of a joint agricultural enterprise; it may express itself on the issuance of permission to a JZD to conduct associated production on the territory of the central village, and may recommend to the district national committee that it request the convening of a special member meeting (representatives' committee) of the JZD to discuss serious problems affecting the interests of the central village (compare Section 2 of the Law Concerning National Committees, Section 13 of Law No 122/1975, Laws of the CSSR, concerning agricultural cooperatives, CSSR Government Ordinance No 137/1975, Laws of the CSSR, which together contain the Model JZD Statutes and modify the procedure for the formulation

and approval of cooperative statutes, and for modifying and supplementing them; CSSR Government Ordinance No 138/1975, Laws of the CSSR, which implements certain provisions from Law No 122/1975, Laws of the CSSR, concerning agricultural cooperatives; Procedural Principles for Obtaining Permission and Implementing Associated Production at a JZD, dated 19 January 1978, File No 70/78-214; Federal Ministry of Agriculture and Food measure, File No FM 015 801/1976, dated 9 December 1978, assuring a unified approach in the interpretation and implementation of "Procedural Principles in Obtaining Permission for and Implementing Associated JZD Production"--No 1/1979 Vv CSR National Committee).

In the interest of balanced development for central villages and the resolution of issues affecting the living and working conditions of citizens, the position and jurisdiction of national committees in central villages is being strengthened relative to those organizations which function on their territory yet are not subordinate to them. Certain of the rights regarding these organizations, for instance, to request a negotiation of corrections upon the determination of certain shortcomings and the responsibility of organizations to inform the national committee how and by what time the shortcomings will be eliminated, or to request the initiation of criminal proceedings or other penalties for employees responsible for the shortcomings (for instance a penalty under the applicable wage regulations, requesting compensation for the damages for which the employee is responsible), have not as yet been formally granted even to higher level national committees.

Article I, No 5 of the law provides that a town national committee performs those functions belonging to a local national committee in a central village. The town national committee is similarly granted expanded authority, such as that of local national committees in central villages. There will not, therefore, arise a situation of an unequal relationship between local national committees in central villages and town national committees in the towns which have not been designated as central villages.

Regulation Section 64, Paragraph 1 of the Law Concerning National Committees has also been changed. This section concerns the setting up of citizens committees. Town national committees and ward national committees, as well as local national committees in central villages are obligated to set up citizen committees if this is dictated by the size of the territory or special conditions of economic or cultural development. Citizens elect the members of citizen committees at public meetings for a period of 5 years.

In Articles II, III, IV, and V of the law changes are made in authority which have come about in special legal regulations as a result of the modifications in the authority of local national committees in central villages and town national committees. This concerns isolated changes in CNR Law No 130/1974, Laws of the CSSR, concerning state administration in water management, CNR Law No 129/1975. Laws of the CSSR, concerning state administration in the school system, and similar laws in effect on the territory of the SSR and adopted by the SNR, and in Law No 60/1961, Laws of the CSSR, concerning the tasks of national committees in assuring socialist order in its currently valid form.

The authority which is transferred from the district national committees to local national committees in central villages and to town national committees, is defined in a supplement to the law (compare as well CNR No 146/1971, Laws of the CSSR, which changes and supplements the Law Concerning National Committees and modifies the authority of national committees in certain sectors of state administration, and the similar law of the SNR, No 159/1971, Laws of the CSSR).

These national council laws which modify the Law Concerning National Committees and the authority of local national committees in central villages become legally binding as of 1 July 1982.

9276

CSO: 2400/341

TOBACCO INDUSTRY, LOWER TOBACCO IMPORTS VIEWED

Bratislava ROLNICKE NOVINY in Slovak 27 Jul 82 p 3

[Interview with Eng Vincent Ondrejovic, general director of the Tobacco Industry Sectoral Enterprise, by Vladimir Fapso: "Tobacco from a Different Point of View"]

[Text] We are paying considerable attention to the cultivation of tobacco since we intend to avoid importing such quantities as previously, because we must pay for it in hard currency. We discussed this topic with Eng Vincent Ondrejovic, general director of the Tobacco Industry Sectoral Enterprise.

[Question] In conjunction with the program proposed for the Seventh Five-Year Plan, the Federal Ministry of Agriculture and Food Stipulated that the production of tobacco be increased.

[Answer] Overall consumption of tobacco in the CSSR during the Sixth Five-Year Plan amounted to 23,500 tons annually; the consumption of domestic tobacco represented about 5,300 tons, or 22.5 percent. Annual consumption in the SSR was 8,000 tons; domestic tobacco amounted to 2,800 tons, or 35 percent. The consumption of the domestic raw material in the SSR increased last year in 38.9 percent and in the CSSR, to 15.1 percent.

Thus, our state spent large funds of hard currency for imported tobacco. In the CSSR we have favorable conditions for the cultivation of tobacco, which may be used in finished products in suitable combination with imported tobacco. Our domestic tobacco has become an anti-import crop. Higher production of the domestic raw material will mean savings of hard currency, which may be used to import other raw materials or products more necessary for our national economy.

From the economic point of view, tobacco is a profitable crop. Our best tobacco growers are earning excellent profits for tobacco. Its only disadvantage is requiring considerable manual work. In recent years tobacco was grown in the CSSR on 3,641 hectares with an average yield of 5,165 tons, or 1.42 ton per hectare. The plan last year called for 6,680 tons to be procured; however, the stored tobacco was 1,676 tons below the plan.

[Question] If we proceed from the necessity to increase the contents of our domestic tobacco in tobacco products, we must expand its production.

[Answer] This objective will be achieved in two ways, first by increasing the per hectare yields in the areas currently under cultivation by approaching the standard of our best tobacco growers. Last year the JRD [unified agricultural cooperative] in Velke Ludince harvested 2.65 tons from each of its 20 hectares; the Agrokomplex MPV in Nitra, 2.45 tons from its 50 hectares; and the JRD in Nova Basta, 1.74 tons on its 140 hectare acreage. If we could harvest 1.7 tons per hectare, which with proper care for tobacco crops is a realistic objective, then we would not need to increase the acreage. Of course, the production may be increased by expanding the cultivated areas. This task concerns our farmers not only in the SSR but also in the CSR. According to the objectives of the Federal Ministry of Agriculture and Food, the cultivation of tobacco must be increased to 4,800 hectares; in other words, its acreage must be expanded by 1,000 hectares.

[Question] Won't additional acreage demand additional machinery?

[Answer] Indeed it will. The current standard of the technological base in our agricultural enterprises must be upgraded; in other words, we must have at our disposal efficient machinery, oasts and necessary fuels, protective chemicals and inhibitors.

If we expand the cultivated areas, we will need additional, complete sets of mechanical equipment, such as planters, cultivators, sprayers, blossom cutters and harvester combines. Moreover, we must provide sufficient fuel for the drying facilities, which are imported from Hungary.

[Question] Experience with production contracts in recent years has disclosed several problems in achieving the planned production and acreage. What the reasons are given by our tobacco growers when concluding such contracts?

[Answer] Primarily they report the shortage of work forces and the high representation of technological crops that may be cultivated in other areas. Nevertheless, even this problem may be resolved with partial specialization. In this respect other areas lack lands for cultivation of fodder crops, which negatively affects the development of cattle farming.

Another argument concerns substandard technical equipment, including insufficient allocations of heating oil for tobacco-drying oasts. This continues to affect our tobacco cultivation in the Seventh Five-Year Plan.

[Question] What recommendations have been made?

[Answer] Better utilization of our existing facilities and of the potential in the propagation of the cultivated types of tobacco has been recommended. Our tobacco industry is doing everything in its power above all to maintain agronomic discipline in this respect. Our agronomic service and our Research Institute of the Tobacco Industry are directing the suppliers of the raw material to apply the latest advances in tobacco cultivation. We want to expand this so that our recommendations are implemented in agrotechnology, harvesting, drying and processing of the raw material.

In addition, we are participating directly in expanding the technical base of the cultivating enterprises by supplying the oasts, machinery, service, etc.

During the Fifth and Sixth Five-Year Plans, the Research Institute of the Tobacco Industry in Bab improved and adapted hybrids that achieved excellent quality indicators under our conditions. Higher quality standards of our domestic tobacco made possible better utilization of the finished products. Naturally, we continue experimenting with propagation of superior types of tobacco.

[Question] As you pointed out, our demands for imported tobacco are considerable. Has this import been stabilized?

[Answer] In general, tobacco import has been stabilized but there are deviations in individual territories. Its import depends on the total volume and structure of the produced goods as well as on the standard of our domestic production. In order to maintain the quality standard of the products according to the valid regulaitons of Czechoslovak Standards, the volume of imports is determined on the basis of statewide balances.

[Question] How is the innovation program?

[Answer] Because the supplies of imported tobacco are decreasing, the sectoral enterprises are focusing on better utilization and processing of our domestic raw materials by innovation processes. For example, during the Sixth Five-Year Plan and last year we enriched our market with 11 new products; 2 were cigarettes under license. These products contained 40 to 70 percent domestic tobacco. Products with higher contents of our domestic raw materials were in demand in the market.

The Safari, Viki and Druzba brands of cigarettes as well as both cigarettes under license, Roy and Milde Sorte, fulfilled the expectations of the innovation program. Last year the manufacture of those cigarettes saved 431 tons of imported tobacco, which means savings of Kcs 17,240,000 in costs and freight.

[Question] What other factors affect the development of innovations?

[Answer] First of all, consumers' demands--in other words, smokers' habits--price, attractive packaging and, naturally, prohibition of advertising have effects. However, innovated products do not become popular the moment that they appear on the market. That process takes several years. In fact, the Sparta and Mars brands of cigarettes waited 6 years for general acceptance. In world statistics, no more than 2 of 10 new products find a wide circle of consumers. We must deal with this fact. It is desirable to create opportunities for broader acceptance of innovations particularly of products containing more domestic raw materials, mainly by manufacturing them in adequate quantities.

It would be realistic to increase the contents of domestic raw materials in products not only in the SSR but especially in the CSR. However, our current tobacco production does not permit it because we are transferring some of our tobacco production from the SSR to the CSR.

In order to stockpile adequate supplies of raw materials, we will do everything possible to intensify our production by making better use of our potential as well as by partially expanding tobacco cultivation by 150 to 200 hectares, already during the Seventh Five-Year Plan. In the following five-year plans its acreage in the SSR must be increased by additional 400-500 hectares. This base should satisfy our needs of domestic raw materials.

[Comment] Although voices have been raised against smoking, cigarettes have become a part of our life and will remain so. Smokers cannot refuse a cigarette as they crave tobacco, which is pernicious to human organism. Because it is unlikely that smoking will disappear, we must try to do our best to approach self-sufficiency in tobacco production, so that we do not have to pay for it with foreign currency, which may be used to procure far more useful raw materials. Therefore, if we speak of the tobacco program, it is for valid reasons.

However, we must start fulfilling that program. How can we? We outlined the way in our interview with the general director of the Czechoslovak Tobacco Industry, sectoral enterprise in Bratislava, Eng Vincent Ondrejovic, who advocates the fulfillment of anti-import measures. Anybody who thinks that we are trying to promote smoking is mistaken. Our interview followed a totally different aim: to cut the import of tobacco as much as possible and to manufacture goods from our own resources. The program must succeed if we consider rationally all the pros and cons.

9004

CSO: 2400/328

GERMAN DEMOCRATIC REPUBLIC

GDR MID-1982 ECONOMIC STATUS ANALYZED IN WEST GERMAN REPORT

West Berlin DIW-WOCHENBERICHT in German Vol 49 No 32, 12 Aug 82 pp 411-417

[Article by Doris Cornelsen, German Institute for Economic Research (DIW), West Berlin: "Indebtedness Problems Reduce Growth Chances in the GDR--On the Status of the GDR Economy in Mid-1982." Translations of articles cited in footnotes below are available in the following JPRS issues of this series: Footnote 1--first half 1982 plan fulfillment report, 81491, 10 Aug 82, No 2302, pp 43-69; and Footnote 4--DIW article by Cornelsen and Scherzinger, published under the JPRS heading, "Recent Measures for Tighter Economic Controls Analyzed," 81515, 11 Aug 82, No 2303, pp 25-35]

[Text] The GDR economic leadership has described 1982--even more than 1981--as a key year for the realization of the entire 1981-1985 Five-Year Plan. From this aspect the results of the first half 1982 are certainly disappointing. At 3 percent, total economic growth recorded the lowest result for a long time; for all important groups the increase failed to meet the 1982 target. The more serious foreign trade hardships were largely responsible for this development. To its debt problems the GDR reacted by tremendous export efforts and import cuts; the resources available for domestic production (investments and materials) were therefore less than in the preceding year. Evidently this materials conservation--amounting in some cases to investment stops--could be achieved only at the cost of growth. In these conditions the growth actually achieved must be considered quite respectable.

The Central State Administration for Statistics' report for the first half of 1982¹ shows the following (percentage growth by comparison with the corresponding period of 1981:

	First Half 1982	Annual Plan 1982
Produced national income	3.0	4.8
Industrial goods production	3.0	4.6
Retail turnover	1.5	4.0
Foreign trade turnover		15.0
Exports	10.0	

The gap between the actual development and the annual plan data is unmistakable.

At the turn of 1981/1982 SED General Secretary Erich Honecker had pointed out that, within the current 5-year plan period, 1982 "will be particularly crucial for the success of the whole."² In fact the GDR is confronted in 1982 with even greater pressures with respect to raw material shortages and foreign trade hardships. Raw material acquisitions from the USSR--at least of oil--are less than expected. Due to the precarious foreign exchange situation, this deficit cannot be made up by purchases on Western markets. Another increase in net indebtedness seems excluded in view of the persistent critical discussion in the West regarding the solvency of the CEMA countries including the GDR. A new urgency is thus imparted to the need to raise exports and exercise the utmost caution with regard to imports.

When we compare the April 1981 directive with the actual law on the 5-year plan, enacted in December 1981, we note that these changed conditions were already taken into account.³ A 6.1 percent annual decline was targeted for the specific consumption of raw materials important to the economy (directive: 5.0-5.5 percent). Investments for the entire 5-year plan period were fixed at M256 billion (directive: M268-272 billion). The 1982 output growth was to be achieved with an absolutely declining consumption of materials and fewer investment resources than in the preceding year. This put to the acid test the "economic strategy for the 1980's," formulated at the 10th SED Congress in April 1981. This designated intensification, the greatest possible refinement and technical progress as the motive force of growth.

A new feature in 1982 was represented by the many administrative measures to supervise the greatest possible extent of conservation.⁴ Nonmonetary balancing of important raw materials and energy sources was handled with much greater stringency; a new decree was issued on economic accounting involving many consequent amendments of special laws and strict control of investment activities.

The beginning of 1982 witnessed a sharp increase in additional obligations. A new initiative was introduced in the "socialist competition": The "return of funds" to the state, in other words the voluntary renunciation of resources allocated even at the beginning of this plan year. The Central Committee seminar with the general directors of combines and the SED Central Committee party organizers announced at the end of the 4-day conference in April 1982 that the 5-year plan targets would have to be exceeded by at least 2 days output.⁵ Notable successes have been scored in materials conservation--certainly as the result of a great deal of pressure. The plan fulfillment report mentions that the specific consumption of important raw materials and energy sources has been reduced by 6 percent. However, the continuing shortage of resources resulted in weaker growth.

Development in the Manufacturing Sectors

Of course the shortage of resources was particularly pronounced in industry. This may well be the reason why the plan targets for some sections of the annual plan for industrial production in the sphere of the industrial ministries are somewhat more conservative than the original 5-year plan targets.

We should note that growth rates were reduced in particular for the important sectors machine construction and electrical engineering/electronics; also lowered were the rates for light industry.

	<u>Growth as Per 5-Year Plan</u>	<u>1982 Annual Plan</u>
Industrial ministries, total	5.6	5.1
Machine construction	7.2	6.6
Electrical engineering/electronics	9.6	7.7
Light industry	4.7	3.7

Even this lower target was not achieved in the first half 1982. In fact the original economic plan for 1982 was revised once more:

--Initially high growth rates were set and incorporated in the published economic plan.

--At the beginning of the year the rates were evidently reduced to a considerable extent.

--Following the obligations assumed by the combines in April, the targets underwent another, upward correction.

The published documents do not disclose particulars of the current plan for industry. Apparently the legally settled plan fixing procedure no longer adequately serves its function.

In the matter of productivity the plan fulfillment report mentions a 3.4 percent increase. In this connection some criticism was voiced at the Fourth SED Central Committee Plenum,⁶ and attention was directed to considerable differences among combines. The greater shortage of materials and investments, also the shift of transports to the rails are likely to have exacerbated the old problem of the discontinuity of manufacturing operations. The incidence of "dead hours" is bound to have risen due to the lack of materials, the lack of components and spare parts. Lastly all increases in output and productivity are due to only a small extent to greater individual efforts and depend mainly on improvements in the equipment and the organization of production.

According to the plan fulfillment report the output volume in the scope of the industrial ministries rose by 4 percent. Other than at the end of the first half 1981, no growth rates have been published now for the various sectors of industry. Monthly reporting⁷ does not go beyond May so that it is possible only to describe preliminary trends.

--Great efforts were made in the energy and fuel industries in order to replace the loss of imports by domestic brown coal. Here the plan was clearly exceeded.

--There was, though, a weakening trend in most sectors of processing industry. To be noted is the fact that machine construction and electrical engineering/electronics did not manage to achieve their already reduced plan targets.

--The slow-down was especially evident in the chemical industry, affected very badly by the oil shortage. Only light industry was able to record a slight positive trend.

Other producing sectors also focused on materials conservation. Plan fulfillment (plus 3 percent) in the construction industry, for example, was achieved with less materials consumption. This happened by way of more structural shifts in direction modernization and reconstruction instead of new construction. In the transportation system the strict new regulations for checking road freight transportation, especially works traffic, have had their effect. The volume of freight shipped has declined, the share of rail freight and inland shipping risen.

Farm developments have evidently been a cause for concern in the first half. The planned yield failed to be achieved for slaughter cattle and pigs. Holdings of livestock were lower than at the same time last year. The nonfulfillment of the state yield of meat is particularly noticeable in the case of pigs, because pig stocks delined by 12 percent in the first 4 months. The extra slaughtering is probably largely due to the shortage of feed. That the state yield of meat nevertheless failed to be reached must be due to the low slaughter weight. Gaps in domestic supplies were also caused by exports.

Utilization of the National Income

The weak output trend in the first half is reflected very sharply indeed in the development of domestic utilization. Adjusted by price, private consumption and investments combined remained below the level of last year.

At a good 3 percent, the nominal development of net cash revenues was lower than the annual plan (4 percent). Social security pensions were last raised in December 1979. No more than a very slight increase was recorded in the year under review. Social improvements (increase in the family allowance from the third child on, higher grants, payments for apprentices, student aid, and so on) had less impact. Earned incomes recorded an above average rise. Their development is likely to have corresponded to the medium-range trend.

The situation seems to be worse when it comes to supplies. The growth recorded by the plan fulfillment report for the retail trade turnover (1.5 percent) is the lowest for many years (annual growth as percentages):

	1971 to <u>1975</u>	1976 to <u>1980</u>	<u>1981</u>	1982 (first half)
Total retail trade turnover	5.9	4.1	2.5	1.5
Essential and nonessential foods	3.5	3.4	2.9	2.5*
Industrial goods	6.9	4.8	2.1	-0.0*

* January through May

Table 1. Indicators of GDR Economic Development (percentage changes by comparison with the same period of the preceding year)

	1980		1981		1982	
	(1) 1. Halbjahr	(2) Jahr	(1) 1. Halbjahr	(2) Jahr	1. Halbjahr (1)	(2) Jahr
	(3) I S T					(4) PLAN
(5) <u>Produziertes Nationaleinkommen</u>	> 5	4,2 ¹⁾	5	4,8	3	4,8
(6) <u>Industrie</u>						
(7) Warenproduktion	5,9 ²⁾	4,6 ²⁾	4,6 ²⁾³⁾	5,1 ²⁾	3	4,6
(8) dar.: Industrieministerien	6,1	5,4	5,0 ³⁾	5,9	4	5,1
(9) Nettoprodukt	.	5,5 ¹⁾	6	5,5	4	.
(10) Arbeitsproduktivität	5,7	4,5 ⁴⁾	4,6 ³⁾	3,7 ⁴⁾	3,4	4,5 ⁵⁾
(11) <u>Bauwirtschaft</u>						
(12) Bauproduktion der Volkswirtschaft	3,7 ⁶⁾	1,3 ²⁾	4,6 ³⁾	3,9 ²⁾	3,1	2,5
(13) Fertiggestellte Wohnungen	77,8	169,2	88,4	185,3	89,2	179,6
(14) davon: Neubau	54,4	120,2	60,4	125,7	58,9	117,5
(15) Modernisierung	23,4	49,0	28,0	59,6	30,3	62,1
(16) <u>Landwirtschaft</u>						
(17) Viehbestand	2,1 ⁷⁾	2,9	1,5 ⁷⁾	0,5 ⁸⁾	- 2,6 ⁷⁾	.
(18) Tierische Marktproduktion ⁹⁾	5,4	2,9	4,2	2,8	- 4,9	- 1,4 ¹⁰⁾
(19) <u>Verkehr</u>						
(20) Gütertransportmenge	6,8	1,0	-4,9	-3,2	-9,0	- 5 ¹¹⁾
(21) dar.: Eisenbahn	6,0	3,0	1,5	1,2	1,3	3,5
(22) <u>Binnenhandel</u>						
(23) Einzelhandelsumsatz ¹²⁾	5,7	4,5	3,2	2,5	1,5 ¹³⁾	4,0
(24) davon: Nahrungs-, Genussmittel	2,1	3,2	2,5	2,9	2,2 ¹³⁾	.
(25) Industriewaren	9,6	5,8	3,8	2,1	0,1 ¹³⁾	.
(26) <u>Außenhandel</u>						
(27) Umsatz ¹²⁾¹⁴⁾	.	10,3	12,0	10,7	.	15
(28) davon: Einfuhr	.	11,6	.	6,4	.	.
(29) Ausfuhr	16	9,0	.	15,4	10	.
(30) <u>Investitionen</u> ¹⁵⁾	2,4 ¹⁾	0,3	3,6	1,3	-6,6	.
(31) dar.: in der Industrie	9 ¹⁶⁾	4,2	4 ¹⁶⁾	1,6	.	.
(32) <u>Nettogeldeinnahmen d. Bevölkerung</u>	3	2,5	3,3	3,3	> 3	4,0

33) 1) Zu Preisen von 1975.-2) Errechnet aus Indexangaben.-3) Tatsächliches Ist, d.h. unter Rückrechnung der offiziellen - arbeits-tätiglich bereinigten - Angaben.-4) Index der Bruttonproduktion je Arbeiter und Angestellten.-5) Im Bereich der Industriemini-sterien; Basis Warenproduktion.-6) Produktion des Bauwesens.-7) Errechnet aus den angegebenen Bestandszahlen per 20.5. bzw. 30.4. von Rindern, Schweinen, Schafen und Legehennen.-8) Vorläufig.-9) Staatliches Aufkommen an Schlachtvieh, Milch und Eiern; bewertet in Getreide-Einheiten.-10) Mengenmäßige Planung.-11) Geschätzt.-12) Jeweilige Preise.-13) Januar bis April.-14) Ein-schließlich innerdeutscher Handel.-15) Ohne Generalreparaturen und Auslandsbeteiligungen; konstante Preise des Jahres 1980.-16) Im Bereich der Industrieministerien.

Quellen: Statistisches Jahrbuch der DDR 1981; Statistisches Taschenbuch der DDR 1982; Statistical indicators of short term economic changes in ECE countries, Juni 1982, Genf; Planerfüllungsberichte (zuletzt: Durchführung des Volkswirt-schaftsplanes im ersten Halbjahr 1982, in: Neues Deutschland vom 16. Juli 1982, S 3 f); Berechnungen des DIW.

(34)

Key to Table 1:

- (1) First half
- (2) Year
- (3) Actual achievement
- (4) Plan
- (5) Produced national income
- (6) Industry
- (7) Goods production
- (8) In the scope of the industrial ministries
- (9) Net product
- (10) Productivity
- (11) Construction industry
- (12) Construction output of the national economy
- (13) Completed housing units)
- (14) New buildings) in 1,000 units
- (15) Modernizations)
- (16) Agriculture
- (17) Livestock holdings
- (18) Livestock market production
- (19) Transportation
- (20) Volume of freight
- (21) By rail
- (22) Inland trade
- (23) Retail trade turnover
- (24) Essential/nonessential foods
- (25) Industrial goods
- (26) Foreign trade
- (27) Turnover
- (28) Imports
- (29) Exports
- (30) Investments
- (31) in industry
- (32) Net cash revenues of the population
- (33) 1) At 1975 prices. -2) Computed from index data. -3) Actual achievement, that is by referring to the official data adjusted by working days.
-4) Index of gross production per blue and white collar worker.
-5) In the scope of the industrial ministries; basis goods production.
-6) Output of the construction industry. -7) Computed from data of stock on 30 May or 30 April with regard to beef cattle, pigs, sheep and laying hens. -8) Preliminary. -9) State yield of slaughter cattle, milk and eggs; appraised in grain units. -10) Planning by volume. -11) Estimated. -12) Prevailing prices. -13) January-April. -14) Including inner-German trade. -15) Excluding major overhauls and investments abroad; constant 1980 prices. -16) In the scope of the industrial ministries.
- (34) Sources: 1981 GDR Statistical Yearbook; 1982 Manual of GDR Statistics; Statistical indicators of short term economic changes in ECE countries, June 1982, Geneva; Plan fulfillment reports (most recently: "Implementation of the Economic Plan in the First Half 1982," NEUES DEUTSCHLAND, 16 July 1982, pp 3f); DIW computations.

Table 2. Industrial Goods Production¹⁾ (percentage changes by comparison with the preceding year)

		(1) Jahr			(2) Januar - Mai	
		1979	1980	1981	1981	1982
(3)	Energie- und Brennstoffindustrie	4,2	3,9	4,0	2,4	4,1
(4)	Chemische Industrie	3,6	3,5	3,8	3,2	2,7
(5)	Metallurgie	1,6	4,6	7,3	5,6	0,9
(6)	Baumaterialien-industrie	1,4	0,7	1,2	0,2	1,9
(7)	Wasserwirtschaft	3,4	2,4	4,8	0,9	1,9
(8)	Maschinen- und Fahrzeugbau	5,7	5,7	6,6	6,1	5,1
(9)	Elektrotechnik, Elektronik Gerätebau	9,3	10,1	10,1	10,4	6,2
(10)	Leichtindustrie	3,5	3,9	4,1	3,8	1,0
(11)	Textilindustrie	2,2	3,8	4,0	3,3	1,9
(12)	Lebensmittel industrie	2,4	2,4	2,3	3,2	1,4
(13)	Gesamte Industrie	4,1	4,6	5,5	4,6	3,8
(14)	1) Errechnet aus monatlichen Index-Angaben, tatsächliches Ist, d.h. unter Rückrechnung der arbeitstäglich bereinigten Ursprungsdaten					
(15)	Quelle: Statistical indicators in short economic changes in ECE countries Economic Commission for Europe, Genf					

Key:

- (1) Year
- (2) January-May
- (3) Energy and fuel industry
- (4) Chemical industry
- (5) Metallurgy
- (6) Building materials industry
- (7) Water management
- (8) Machine and vehicle construction
- (9) Electrical engineering/electronics device construction
- (10) Light industry
- (11) Textile industry
- (12) Food industry
- (13) Industry, total
- (14) Computed from monthly data, actual achievements, that is referring back to original data, adjusted by working days.
- (15) Source: Statistical indicators in short economic changes in ECE countries, Economic Commission for Europe, Geneva.

The monthly figures available to May show that in nominal terms no advance at all was achieved by industrial goods in the first 5 months. If we take into account the increase in prices of higher quality goods, the availability of goods in the first half was actually below last year's level. As industrial consumer goods rank high in the GDR's range of exports (15 percent), this result must be ascribed to this fact as well as to a decline in output. In the case of essential and nonessential foods the increase in the first 5 months amounted to only 2.5 percent. The availability of fresh meat, especially, left much to be desired in the first half.

In the investment sector 1982 planning was increasingly dictated by foreign trade considerations. Fifty percent of GDR exports are accounted for by machines, equipment and means of transportation. The 1982 economic plan as published did not mention plan figures for domestic investments. Official remarks indicated that investment resources had been scaled down vis-a-vis 1981. As the economic leaders see it, greater economic growth may be achieved with less investment, provided resources are concentrated on priorities. Accordingly there are fewer projects while supervision is stricter. This basic trend was surely reinforced by a Politburo resolution--as usual unpublished--"on the further improvement of the management and planning of basic asset reproduction."

The plan fulfillment report for the first half mentions an investment total of M22 billion, just under 7 percent less than in the first half 1981. We know from experience that these data in the plan fulfillment report are given at prevailing prices. There were price increases for new constructions and products of heavy machinery construction,⁸ but the amounts involved are not known. The real decline in investments is therefore likely to have been somewhat greater.

Aspects of Foreign Trade

In recent years the GDR has confined itself in its own publications to the issue of figures for turnover (exports plus imports). Though the latest "Statistische Taschenbuch fuer 1982" [1982 Manual of Statistics] still fails to record any import and export data classified by individual countries, it does break down exports and imports by groups of countries for 1980 and 1981. Evidently the GDR felt compelled to expand its data base following many critical assessments of its credibility. This advance does not, however, remove the difficulties of appraising the GDR's foreign trade problems. GDR foreign trade statistics have long been exceedingly erratic. As regards trade with the West its data conflicted with those of its partner countries: GDR statistics had reported far higher imports (and, therefore, deficits) in the 1970's than could be gleaned from the also unreliable partner country statistics.⁹ As the GDR does not publish a balance of payments either, there is no opportunity to review the extent of the deficit.

The 1981 GDR results now issued are totally unaccountable. For trade with "nonsocialist countries" the statistics report a 28 percent increase in exports, a 3 percent decline in imports and a balanced account. In fact the plan fulfillment report for the first half indicates a surplus of about 1 billion valuta marks in trade with nonsocialist countries.¹⁰ Data from Western industrial countries show no such change for 1981. Adjusted by the fluctuations of the dollar exchange rate, exports have increased by 15 percent, imports by

10 percent. Moreover, according to reports from Western Banks, the GDR further increased its net indebtedness to the West in 1981. Admittedly, the change in the indebtedness is not solely due to the balance of trade. It also takes into account all other transactions (services, interest payments, payments by the FRG). A fairly reliable source for the status of GDR indebtedness in the West are the statistics of the Bank for International Settlements (BIS), based on reports from banks (uniform since 1977) on international banking transactions. Not included in these statistics are debts to the FRG (accumulated debit) and an unknown residual amount (developments at banks that do not report to the Bank for International Settlements, debts to nonbanks including supplier credits). These gaps are closed by some Western institutions in various ways. The data of ECE (in which the GDR is represented) are close to the Bank for International Settlement's figures for GDR net indebtedness plus debts to the FRG.¹¹

Statistically certain, therefore, is only the debt status as defined by BIS data complemented by the balance in the inner-German movement of capital. According to these GDR net indebtedness (total debits less GDR credit balances) rose steadily until 1981. At end 1977 it amounted to U.S.\$5.3 billion and at end 1981 to U.S.\$9.6 billion. In 1979, the year when--according to official pronouncements by GDR economic leaders--the "new situation" in foreign trade turned into a vital issue for the further development of the national economy, no more than a relative improvement was initiated. Though the ratio of Western exports to net indebtedness has become somewhat better, the absolute volume of indebtedness continued to rise.

In the matter of debts to the West, I must point out the fundamental difference between the FRG and other Western countries. True, the GDR earns foreign exchange for its exports to both. However, it may not freely dispose of its revenues from inner-German trade (IDH)¹²--they can be used only for further purchases in the FRG. It is therefore unable to use the surpluses achieved vis-a-vis the FRG for servicing its debts to other countries. If we consider the ratio of exports to the West to indebtedness from the aspect of this dualism of trade with the West, it appears that the real problem is to be found in relations with the other Western countries. Here the debt; export ratio is far more unfavorable. Rising net indebtedness and the higher level of international interest rates have increasingly burdened the GDR with interest payments. According to ECE data (average of Euro currencies), interest levels have more than doubled since 1978. The (net) interest load of the GDR in 1981 is therefore likely to have amounted to U.S.\$1.3 billion, roughly 25 percent of exports to the West.

The 1982 interest payments must be assumed to be about U.S. \$1 billion, because the GDR has somewhat decreased its debts and the level of interest rates is likely to be slightly lower. The GDR should be able to pay this amount from its D-mark earnings outside the IDH.

In fundamental contrast to all former years, the new situation in 1982 features the fact that the GDR can no longer expect an increase in (net) Western loans. In view of the crisis of confidence with regard to the CEMA countries creditworthiness, caused by the funding of Polish and Romanian loans, the GDR

Table 3. Data on GDR Debts in Convertible Currencies

		(1)				
		1977	1978	1979	1980	1. Vj. 1982
(3)	Schuldenstand der DDR ¹⁾	(2) in Mrd. US-\$				
(4)	Forderungen der berichtenden Bankinstitute (nach BIZ)	4,87	6,19	7,72	9,46	10,10
(5)	Verpflichtungen der berichtenden Bankinstitute (nach BIZ)	-0,88	-1,20	-1,90	-2,04	-2,13
(6)	Saldo	3,99	4,99	5,82	7,42	7,97
(7)	Innerdeutscher Kapitalverkehr ²⁾	1,29	1,85	2,13	2,15	1,64
(8)	Gesamte Nettoverschuldung	5,28	6,84	7,95	9,57	9,61
(9)	(zum Vergleich: nach ECE)	.	.	(8,1)	(9,6)	(11,3) ³⁾
(10)	Zinszahlungen ⁴⁾	0,22	0,40	0,64	1,02	1,29
(11)	Exporte der DDR ⁵⁾	2,51	2,86	3,57	4,55	5,46
(12)	Relationen					
(13)	Nettoverschuldung ⁶⁾					
(14)	je Einwohner in US-\$	315	408	475	572	574
(15)	in vH der Exporte ⁵⁾	210	239	223	210	176
(16)	Zinszahlungen in vH der Exporte ⁵⁾	9	14	18	22	24
(17)	<p>1) Jeweils am Ende des Berichtszeitraums.- 2) Kumulierter Passivsaldo der DDR aus dem IDH, in US-\$ umgerechnet.- 3) Vorläufig.- 4) Geschätzt anhand der Nettoverschuldung lt. BIZ einschl. innerdeutscher Kapitalverkehr (ohne Swing). Für die Zinshöhe wurden die von der ECE berechneten durchschnittlichen Sätze verwendet (Average interest rate on inter-bank deposits reflecting a basket of euro-currencies, 1977: 5,6%; 1978: 6,2%; 1979: 8,5%; 1980: 11,1%; 1981: 13,9%. Jahresbericht 1981, S. 297).- 5) In die westlichen Industrieländer ("kapitalistische Industrieländer") nach der DDR-Statistik; umgerechnet in US-\$.- 6) Lt. BIZ, plus innerdeutscher Kapitalverkehr.</p> <p>Quellen: BIZ (Bank für internationalen Zahlungsausgleich): Vierteljährliche Berichterstattung. Statistik von Forderungen und Verpflichtungen der berichtenden Banken, ohne innerdeutschen Kapitalverkehr, ohne Bankinstitute, die der BIZ nicht berichteten, ohne Kredite von Nichtbanken und Lieferantenkredite. Innerdeutscher Kapitalverkehr: Treuhandstelle für Industrie und Handel (TSI). ECE (Economic Commission for Europe): Estimated debt of Eastern Europe and the Soviet Union to the developed market economies. In: Economic Survey of Europe in 1981, S. 311. Die Tabelle hat folgende Anmerkung: Gross debt includes short-, medium- and long-term liabilities. Assets include only eastern deposits in western banks. Net debt equals gross debt less assets.</p>					

Key:

- (1) First quarter 1982
 (2) In billion U.S. dollars
 (3) GDR debt status
 (4) Claims by reporting banks (as per BIS)
 (5) Obligations of reporting banks (as per BIS)
 (6) Balance
 (7) Inner-German capital movement
 (8) Total net debts
 (9) (for the purpose of comparison as per EEC)
 (10) Interest payments
 (11) GDR exports
 (12) Ratios
 (13) Net debts per capita in U.S. dollars
 (14) as a percentage of exports
 (15) Interest payments as a percentage of exports
 (16) 1) At the end of the respective reporting period.
 2) GDR accumulated debit balance from IDH, converted into U.S. dollars.
 3) Preliminary
 4) Estimated by way of net debts as per BIS including inner-German capital transactions (excluding swing). The average interest rates calculated by ECE were used to establish the amount of interest. (Average interest rate on inter-bank deposits reflecting a basket of Euro currencies,

1977: 5.6 percent; 1978: 6.2 percent; 1979: 8.5 percent; 1980: 11.1 percent; 1981: 13.9 percent. Annual report 1981, p 297). -5) To Western industrial countries ("capitalist countries") according to GDR statistics; converted into U.S. dollars. -6) According to BIS, plus inner-German capital transactions.

- (17) Sources: BIS (Bank for International Settlements): Quarterly reporting. Statistics of claims and obligations with respect to reporting banks, excluding inner-German capital transactions, excluding banks not reporting to the BIS, excluding loans from nonbanks and supplier credits. Inner-German capital transactions: Treuhandstelle [trust agency] fuer

[key continued]

[Continuation of Table 3 key]

Industrie und Handel (TSI). ECE (Economic Commission for Europe): Estimated debt of Eastern Europe and the Soviet Union to the developed market economies, "Economic Survey of Europe in 1981," p 311. The table has the following notation: Gross debt includes short, medium and long-term liabilities. Assets include only Eastern deposits in Western banks. Net debt equals gross debt less assets.

will indeed be hard put to it to extend the loans coming due. It will have to aim at reducing its indebtedness. The more the banks insist on repayments of loans due, the greater will have to be the export surplus in the GDR balance of trade--with D-mark revenues outside IDH as a given.

BIS data reveal that about 40 percent of the GDR's indebtedness are accounted for by loans with a term of less than 1 year. Already in the first quarter 1982 the GDR had to repay substantial amounts. According to the BIS report, gross indebtedness had declined by about U.S.\$1 billion as at 31 March 1982. These payments were largely made from GDR credit balances. These latter, though, will not suffice if the decrease in gross indebtedness is to continue at the same rate. A deficit of such dimensions cannot be made up even approximately by surpluses in the balance of trade in goods.

The GDR could not have foreseen this serious worsening of conditions, neither the persistently high level of interest rates nor the radical change in the attitude of Western banks to the allocation of loans. Accordingly, the decline in growth in the first half 1982 confronted the GDR with a very difficult situation. The smaller output growth must be assumed not even to permit the realization of export plans. The reported 10 percent export growth is surely less than the annual plan target. This provided for a 15 percent rise in turnover (exports and imports). Marketing difficulties and price concessions in trade with the West probably exacerbated the situation even more. We cannot exclude the possibility that the GDR was compelled to reduce its imports from the West right at the beginning of 1982. Early reports from partner countries confirm this assumption.

Conclusion

At the present time debt problems are casting their shadow on GDR foreign trade. GDR efforts to cope with the problems arising therefrom are quite remarkable. This is demonstrated by export and import trends as well as the reduction in indebtedness. It will depend on, among others, Western banks whether these efforts are sufficient. We cannot expect the early repayment of liabilities with a term of less than 1 year, nor--in view of earlier banking practice--should the GDR be asked to do so. The GDR's behavior offers no reason in economic terms to deny the extension of follow-up credits.

Due to the lesser availability of raw materials and investment resources, the debt problem adversely affects domestic production and consumption, too. When we considered the 10th SED Congress directive on the 5-year plan, we already doubted whether it would be feasible to achieve the ambitious planned growth

targets in view of the noticeable restrictions on foreign trade.¹³ The same applies even more to the still further reduced targets for materials and investments in the final version of the 5-year plan. In view of the incomplete data available we cannot yet see whether a longer lasting decline in growth has already begun. However, in prevailing conditions a flatter growth curve seems inevitable in the second half of the current 5-year plan.

FOOTNOTES

1. NEUES DEUTSCHLAND, 16 July 1982.
2. NEUES DEUTSCHLAND, 31 December 1981.
3. "...the fact that we intend to implement the directive with even less raw materials and other materials than assumed at the 10th SED Congress...confronts us with great challenges." SED General Secretary Honecker in the Politburo Report to the Third SED Central Committee Plenum. NEUES DEUTSCHLAND, 20 November 1981.
4. See "GDR Economic System. Control Mechanisms Made Even Stricter," Doris Cornelsen and Angela Scherzinger, DIW-WOCHENBERICHT No 21-1982, pp 267 ff.
5. NEUES DEUTSCHLAND, 10-11 April 1982.
6. Concluding address by Erich Honecker. NEUES DEUTSCHLAND, 25 June 1982, p 7.
7. Statistical indicators of short term economic changes in ECE countries, Geneva.
8. See "Order on the Assignment to Customer Sectors of Orders Taking Effect Within the Scope of Planned Industrial Price Changes," No Pr 250/4, GB1 DER DDR 1/1981, pp 146 ff, and No Pr 250/5, GB1 DER DDR 1/1981, p 448.
9. For details see: "On the GDR's Trade With the West," Horst Lambrecht, DIW-WOCHENBERICHT Bo 39/1975. See also Maria Haendcke-Hoppe: "GDR Foreign Trade Statistics and Their Informational Value," FS-ANALYSEN 3/1978.
10. The valuta mark is a statistical unit of account to show GDR foreign trade; conversion rate: 4,67 VM equal 2 TRbl [transferable ruble]; the rate of conversion with Western currencies fluctuated with the changes in parity between the ruble and convertible currencies.
11. The highest known estimates are up to 40 percent above this amount. The addition is likely to be in the 10-20 percent range.
12. The situation is quite different with regard to D-mark revenues outside the framework of the Berlin Agreement (such as transit lump sum, investment projects in Berlin transportation).
13. "Main Task Export," Doris Cornelsen, DIW-WOCHENBERICHT No 31/1981, pp 355ff.

GERMAN DEMOCRATIC REPUBLIC

INNER-GERMAN TRADE SEEN EASING GDR'S FOREIGN CURRENCY DIFFICULTIES

Munich SUEDEDEUTSCHE ZEITUNG in German 26 Aug 82 p 19

[Article signed 'W.S.' Berlin: "Inner-German Trade Helps GDR Save Foreign Currency--Volume in First Half Year Increased by 13 Percent--Effect on Workbench Less Than Expected"]

[Text] Inner-German trade in the current year will be in excess of 13 billion accounting units [VE] (1 VE = DM 1), according to the Ministry for Economics, following an increase of only 6 percent in 1981 to 12.5 million units. In the first half year of 1982, by contrast, shipments to the GDR rose by 13 percent to 3.246 billion units (first half year of 1981: 2.88), purchases from the GDR increased by 15 percent to 3.523 billion units (up from 3.071), so the GDR was again able to register a trade surplus with the FRG of 278 million units (up from 191).

In pure goods trade there was even a GDR surplus of 486 million units, while traditionally there has been a deficit in the services sector. Since 1981, therefore, the GDR has found it possible to reduce its cumulative debit balance by 250 million units, to just under 3.4 billion units.

The GDR is obviously making efforts to use inner-German trade as a partial substitute for trade with other Western countries, since credits in hard currency have become more expensive for it, and there is a general noticeable reluctance on the part of the banks. This is clear on the basis of shipments from the FRG. Deliveries of crude oil in the first 6 months increased by 35 percent to 439 million units (up from 325), which indicates, with delivery agreements for 1.05 million tons unchanged, that the GDR has already indicated its preference for oil shipments from the FRG. The FRG increased its shipments of agricultural products to 344 units (from 202) by 65 percent. For the first time in a long time, the GDR again bought grain in the FRG, 200,000 tons to be exact. The sharp increase in shipments of non-ferrous metals, up by 58 percent to 223 million units (from 142), was probably motivated by the GDR's efforts to save foreign currency by purchases in the FRG, since inner-German takes place on an accounting basis. The swing, interest-free overdraft credit in inner-German trade, is currently being exploited by the GDR in the amount of about 640 million units. According to the new swing agreement of June 1982, it will have to be reduced in stages to 600 million units by 1985.

Among purchases from the GDR, principally chemical products increased sharply, by 26 percent to 407 million units (from 324). There was an increase in mineral oil

products of 16 percent to 931 million units (from 802). Purchases of textiles and clothing, as well as machinery, also increased.

The Ministry for Economics expects that shipments to the GDR will increase more strongly than purchases from the GDR in the second half year, so that overall estimates look for a balance between purchases and shipments. No spectacular transactions are expected at the fall fair in Leipzig, which begins on 5 September, but expectations for good sustained basic business continue.

Inner-German trade in 1982 has so far exceeded expectations. This holds true even in comparison with total foreign trade and also if it is compared only with trade with the East. It is noticeable that the GDR has continued its efforts to capture more of the market in the FRG with relatively good results. Shipments from the FRG to the GDR, on the other hand, hardly give the impression that this is trade between two of the most important industrial nations of the world. In fact, the GDR has taken goods on an accounting basis for which it would have to use harder-to-find foreign currency if they were obtained from other countries. Grain purchases, for example, have to be considered from this aspect.

As a result of the structure of inner-German trade, which is highly unsatisfactory from Bonn's point of view, one argument constantly advanced by its proponents loses much of its weight: In the light of the preponderance of raw materials shipped from the FRG, no significant effect on the job market can be expected from inner-German trade. Efforts aimed at an improvement in quality in the exchange of goods must continue.

If those in positions of responsibility in both states discuss this in Leipzig, there will be very little movement. Discussions have been continuing for years about third-country cooperation, for example, but it is very difficult to recognize the first signs of German-German cooperation. Since the political environment is unlikely to produce any impulses for inner-German trade, the exchange of goods will continue along customary paths. In view of the worsening climate between East and West, it even seems like a victory for a good part of it to be consigned to the decades-old practice of neighborly assistance, using the means of accounting prices and swing.

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GERMAN DEMOCRATIC REPUBLIC

FIRST GDR-BUILT RO-RO SHIP LAUNCHED

East Berlin PRESSE INFORMATIONEN in German No 87, 27 Jul 82 p 4

[Article by Dr Wolfgang Henker, Ministry for Construction of Heavy Machinery and Equipment: "Shipbuilders Set High Standards With New Products"]

[Text] In a few days the first ro-ro ship built in a GDR shipyard for our merchant fleet, the MS "Gleichberg," will begin her maiden voyage. The workers in the VEB yard Mathias-Thesen in Wismar handed over a top-quality product to the company awarding the contract, the VEB shipping company Deutfracht of Rostock. The development of similar outstanding achievements had once more been emphatically urged at the Fourth Congress of the SED Central Committee.

The construction of the MS "Gleichberg"--the responsibility of the young people in GDR shipbuilding--was certainly one of the "tougher cases," which was solved by the young workers in the yards, working side by side with experienced shipbuilders, with elan and dedication. Our yards had not built a ship of this type before, so that totally new territory had to be explored.

Shorter Layover Times

The particular feature of ro-ro ships--roll-on/roll-off--is the horizontal method of dispatching, wheeled vehicles enter and leave the ship under their own power. It is therefore all the more commendable that after a relatively short development and construction time a specialized craft was built that is in the forefront by international standards. The outstanding feature of the ro-ro ship from Wismar is a stern ramp, 8 meters wide and 12 meters long, allowing two lanes of trucks, passenger cars or semi-tractor trailers to enter and leave the ship. This reduces layover times in harbor considerably. Turnaround time is practically only 1 day--an advantage for the shipping company, for the 139-meter long ship can, for example, transport 469 passenger medium-sized cars or 289 20-foot long containers.

Particular value was placed on a high degree of automation for the engine-room equipment. The entire engine-room is designed for supervision-free operation for 24 hours. In normal operation the engines run without engineers. Four-bladed adjustable propellers and bow rudder jets give the ship excellent maneuverability, so that it can be steered by only one man even during difficult docking maneuvers.

The ro-ro ship from the Mathias-Thesen yard--there will a total of 5 ships built--is fast. At 18.5 knots fully laden, its speed is higher than is customary with freighters. This speed is provided by two diesel engines from the VEB Engine Construction in Halberstadt. Nineteen other factories are the most important suppliers, for example, the VEB Ships Electronics in Rostock, which installed the high- and low-voltage systems, or the VEB Foundry and Machinery Construction "Max Matern" in Torgelow, which supplied 80 percent of the technological equipment.

Man Hours Steadily Reduced

The Wismar yard again proved its efficiency with the new ro-ro ship. But the yard workers were not satisfied with what they had achieved. During the final stages of fitting, five optimization groups were formed to make the experience that had been acquired during construction of the first ship economically effective in the second one. For the first ship 61,000 man hours were needed to cut the steel plates, but only 46,000 man hours were required for the second ship. Assembly time for the sections could be reduced by 18,000 hours. Other areas reported similarly good results, so that the yard was able to meet the plan for industrial goods production as of June 30, 1982 with an additional 1.5 days production.

At the same time this provides a good basis for discussion of the 1983 plan. Shipyard workers have put forward 390 suggestions so far for the 1983 plan. The discussion centered and still centers on continued improvements in the utility value of such tested products as the "Kristall II" refrigerator ships, universal freighters of the OBC [Ore Bulk Carrier] type and naturally the new ro-ro ships. The objective is to achieve an increase in utility in some areas of 30 percent in comparable ships. In this way the shipbuilders of Wismar will be meeting the need, which was stressed again at the Fourth Congress of the SED Central Committee, to increase further the proportion of top-quality products for export and for the requirements of the nation's economy.

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GERMAN DEMOCRATIC REPUBLIC

ROSTOCK HARBOR DEVELOPMENT FOR 1980'S OUTLINED

East Berlin SEEWIRTSCHAFT in German Vol 14 No 6, Jun 82 pp 269-271

['Navigation/Harbors' features article by I. Schreiber: "Rostock Harbor in the 1980's"]

[Text] 1981 was the most successful year since the opening of the Rostock overseas harbor in 1960. The volume of freight handled was 15,563,000 tons, and 2,682 ships from 47 countries were processed. After 21 years, the balance sheet shows 50,100 ships from 69 countries were processed and 209 million tons of freight were imported and exported. In July 1981, when the DSR [German Maritime Shipping Company] break-bulk freighter "Cottbus" was cleared, the 200 millionth ton was handled, and at the beginning of December 1981 the Indian bulk carrier "Shennai Ookkam" was registered as the 50,000th ship.

These anniversaries show how quickly the efficiency of our largest maritime handling facility has developed.

It took 13 years until, in mid-December 1971, the 100 millionth ton was unloaded from the MS "Vockerode," but only 7 1/2 years later the 200 millionth ton was handled. This is an indisputably good balance sheet. But just for this year the volume handled is expected to be 16.6 million tons, and for 1985 the foreign trade companies in our republic and the economy are looking for a freight volume handled through Rostock harbor of 23.4 million tons.

An increase in efficiency of this magnitude cannot be achieved solely through more intensive use of existing harbor installations. Consequently, four major projects have been increasingly altering the appearance of Rostock harbor since the end of the 1970's. The first project, the construction of a new installation to handle ro-ro and container shipments, was started in 1977 on the southern edge of the harbor. As is generally known, Rostock's harbor has had a ro-ro installation since 1974. It processes regular services to Finland, England and the Soviet Union as well as numerous tramp steamers. Traffic through this facility has increased so much that in 1981, with 403,000 tons, it reached almost ten times the annual volume of 1974. With the construction of this new ro-ro and container terminal, Rostock's harbor is accommodating this high growth rate. A handling complex is going up over an area of 280,000 m², which will be adequate for future requirements. An outdoor parking area with an area of 110,000 m² for the storage of vehicles and other wheeled goods is under construction, half of which can already be used. The

center of the installation is a 19,000 m² shed, with special equipment to pack and break down ro-ro and container loads and its own rail connection.

The program for 1982 includes the construction of the entrance area with a dispatch and control building and accommodation for long-distance truck drivers, further completion of the equipment in the packing shed and the completion of a canteen and social building. Preparatory work for the second phase of construction on the ro-ro and container complex was begun in 1981. In the next few years specialized berths will be built, one for ro-ro ships, one for container ships and one for unitized freight ships, in addition to more outdoor storage areas of about 150,000 m², with the expansion of quay facilities on the Warnow. When both phases of construction have been completed, the terminal will have an annual freight handling capacity of 1.2 million tons.

The second major project is even more extensive and costly, a port complex to the east of the harbor area between the oil port and the bulk-cargo pier for grain, cattle feed and fish meal.

Grain, Cattle Feed and Fish Meal Installation

In December 1978 excavating work began for harbor basin C, to the east of Pier III, and in January of this year the first section, a 300-meter long and 13-meter deep berth with the attendant grain and cattle feed handling installation began operation. The center of the new grain port is a silo complex with 72 silo towers and 30 intermediate cells, 54 meters high, which is visible from afar, on land and at sea. It can store 87,800 tons of grain or 70,900 tons of grain and 11,200 tons of cattle feed. The grain is unloaded by two pneumatic lifts, which can move on rails on the quay, with a maximum unloading capacity of 350 tons/hour each, into a covered conveyor, on which it is taken at a speed of 2.4 m/sec either into the silo for temporary storage or directly into a freight car loading station, which is adjacent to the silo. The loading station, which is equipped with automatic weighing equipment and automatic installations to advance the train, can achieve an hourly output of 1,200 tons when loading two freight cars simultaneously.

Operation of the second berth, which is also 300 meters long and 13 meters deep and equipped for handling grains and feed, will begin in June of this year, and operation of the third berth (220 meters long, 12 meters deep) for fish meal and other bulk cargoes which can be handled by grabs will begin in October.

Three additional grain lifts, two with a capacity of 300 tons/hour and the third of 350 tons/hour, with which grain and feedstuffs have been unloaded directly from ship to railroad car on the Warnow Quay until now, will be given a new location in harbor basin C.

New Ore Handling Facility on Pier III

In 1981 the construction of a fourth berth at the north end of this pier was completed. With a length of 300 meters and an available depth of 13 meters, it offers unloading for bulk-cargo ships of up to 65,000 tons deadweight. A second unloading plant, with an hourly capacity of 1,600 to 2,000 tons, is being installed to handle them. The 900-meter long conveyor is designed for a transportation capacity of 2,600 tons per hour. Ore can be unloaded on it through two transfer towers into

outdoor storage or directly into a newly erected freight car loading station. When this installation begins operation in October 1982, the harbor will have additional handling capacity of about 2 million tons/year for these types of cargo.

Expansion of Pier I

The fourth major construction project is also making visible progress, the construction of three new berths for break-bulk cargo handling on Pier I. About 1,100 meters of quay are being built on the north tip of the pier for three berths, two on the west side and one on the east side. In order to save costs and time, 880 meters of the quay were built using a method not previously employed in the GDR. Instead of the traditional quay construction, 56 caissons were used--concrete cylinders, 13 meters in diameter and 13 meters high, filled with sand and anchored on steel plates in the harbor basin.

There is a pressing need in particular for the two berths on the Warnow, by Gross-Klein, designed for handling metals, because the import of Soviet rolled goods will increase substantially in the 1980's and, in spite of exhausting every possibility (1982: 2.7 million tons), no additional increase is possible in the areas now in use.

Construction work on Pier I West will be completed this spring. Then VEB Crane Construction Eberswalde will begin erecting four "Uhu" cranes (50 tons lifting capacity, 32 meters reach). After that, the outdoor storage area will be given three bridge cranes, each with a lifting capacity of 50 tons and a gantry width of 50 meters. The start of handling operations is planned for the spring of 1983. Once full operating efficiency is reached, the two handling areas will have an available capacity of 3.2 million tons/year.

It will be necessary to lay five new tracks on the quay and three additional ones for the outdoor storage just for the two "metal areas," whose efficiency is determined largely by smooth arrival and departure of railcars. Three additional tracks will be needed to serve the opposite area and the warehouse. One year later the third area, situated on the east side of the pier, should be equipped with three 10- to 16-ton cranes and a 12,600 m² warehouse and available for break-bulk cargo handling.

Altogether 12 new berths should begin operations during this 5-year plan, so that 45 berths are then available.

9581

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HAVASI EVALUATES ECONOMIC POLICY, EFFECTS OF SCIENCE

Budapest MAGYAR TUDOMANY in Hungarian No 6, Jul 82 pp 409-416

[Article by Ferenc Havasi, member of the Politbureau and secretary of the Central Committee: "Science and Economic Policy; The 142nd General Assembly of the Hungarian Academy of Sciences, 1982"]

[Text] I respectfully greet the 142nd General Assembly of the Hungarian Academy of Sciences, an outstanding forum of Hungarian scientific life and a significant event in our public life. Permit me to transmit the greetings and best wishes of the Central Committee of the Hungarian Socialist Workers' Party and of the Council of Ministers to the members and officials of the Academy, every participant in the general assembly and the creative workers of Hungarian science.

The Central Committee and the government--as before--look forward to the work of the general assembly with great expectation. This highest forum of our scientific life has won respect and honor for itself by the fact that it always puts on its agenda questions of national scale, influencing our present and future alike. Its goal is no less than to measure and judge, found and further develop some determining sphere of our social-economic life from the side of science. This summarizing and critical analysis, before a large public, of the achievements of the scientific workshops--which is what the general assembly is doing--always gave us much, if it measured the past precisely, judged the present sensitivity but with scientific foundation and was able to point out the possible and desirable path for the future.

Performing this responsible work is the laudatory task of the creative intelligentsia but the success of it is the cause of our entire nation. This is why our entire society is devoting special attention to the work of the general assembly.

I do not intend in this place to give special emphasis to the political, social-economic role and significance of science. But it must be noted that the cultivators of science have a strengthening intent to demand and undertake a part in answering the more important questions of social-economic development. The main theme of the present general assembly is an example of this; it did not come onto the agenda of this forum by chance. Within the framework of the general assembly, it is possible for any scientific area to give its opinion about our economic policy. We greet this with pleasure, because a many-sided exchange of opinions is in harmony with the practice of our party.

We greatly value the intention of the Hungarian Academy of Sciences to contribute to the further development of our economic policy on the basis of a many-sided evaluation of the experiences and problems of our economic development, especially of the effect on our homeland of the changes which have taken place in international political and economic life. This should aid our economy to be able to turn more quickly and more successfully to a new developmental path well serving our long-range goals, a path which the 12th congress of our party designated and which the Sixth Five-Year Plan formulated into a uniform action program.

It is our experience that the role of science has increased significantly already in laying the foundations for government activity serving the realization of these goals. Year by year, a more worthy link, renewed in its substance, develops between science and economic planning. The cultivators of science offer many-sided and indispensable aid to long-range planning by forecasting social-economic processes, developing plan conceptions and pointing out the possible paths of our development.

Stability and Social Debates

The even, tranquil internal political situation of our homeland has created good conditions for the successful realization of the aspirations of the Hungarian Academy of Sciences. We can emphasize this with justice on the basis of the results achieved in the past 25 years, even despite our existing problems. At the expanded session of the presidium of the Academy held on 17 November last year, Comrade Janos Kadar emphasized that "... the past 25 years in the life of our people, of our society, were extraordinarily complicated also.... The party and government, the leadership of the country, struggled and fought for what it put forward--as a program--and it realized it too. The party not only adhered to the chief direction of policy but also developed it further in every chief area of social life."

The significance of the stable internal political situation, of the good social atmosphere, has increased in recent years. This is more important for us today than a few years ago, when we could do our work amidst the conditions of detente, amidst more balanced international political conditions and more favorable world economic conditions. I believe that the present state of the world not only makes more palpable the correctness of the policy followed in the past quarter century but also contributes to a better appreciation of the achievements and values of our socialist society.

The tranquil and balanced internal political life, naturally, does not mean a lack of social movement, does not mean that we have no problems, nor does it mean that there are no debates of social scale. It is enough to note here that the rate of growth, the rate of accumulation, the innovation process and the question of small undertakings are subjects of a dialog. Or--to speak not only of economic policy in the narrow sense--there are questions connected with the demographic situation, housing management, the morale of the technical intelligentsia and education. These debates are guided in a fundamental way and are determined by a creative intent to make things better. Thus, even if we do not always agree with everyone in everything, we are happy for the dialog and encourage it, because the correct positions and views crystalized in debates are

suitable for a further strengthening of social union, of socialist national unity.

In connection with this, also I might call attention to the words of Comrade Kadar according to which we have required thus far and we will require in the future that the Central Committee not take upon itself to decide scientific debates. According to us, it would be wrong and harmful if we deviated from this, because this would affect the freedom of research...and not only in the social sciences either. We have not done this and we will not do it hereafter either. Scientific debates must be decided in the sphere of science and by the debate of scientists--with the test of practice.

The political and economic results achieved in the past quarter century laid the foundations for and strengthened the trust between the party and the working people, which represents a solid base for the solution of the tasks standing before us. The leading role of the Hungarian Socialist Workers' Party is realized not primarily as fixed and published in the Constitution but rather as recognized and supported by the people. It regards it not as a right but rather as an obligation involving responsibility, as service to the people. Today the party in Hungary is an accepted political force which fulfills its mission, organizes and guides the work of society. The basis for its growing credit is trust toward the masses, respect for reality, a readiness to accept new ideas and the development of socialist democratism. Thus far, our people have returned trust for trust and we hope that it will be thus in the future also.

In our complex world, it is even more significant than before that the party, respecting the general laws of socialist development, turn even greater attention to a study of our historical and national peculiarities, the conditions and possibilities of our country, so that its activity in posing goals and defining tasks, organizing and educating the masses should continue to develop even among these circumstances. The party does not avoid conflicts, it puts the questions ripe for solution on the agenda and, weighing the circumstances, it tries to solve them. The critical and self-critical behavior, the readiness for renewal and reform, taking realities into consideration have been even thus far one of the pledges of its successes. We are aware that there is no external political stability. The only stability that there is is that which we create anew every day with diligent work.

Changes in Economic Policy and Economic Guidance Practice

The importance of the link between politics and the economy in the life of society has increased in recent years. It is not by chance that the party and government deal with the upcoming tasks of economic construction work almost daily. Even if a little delayed, Hungarian economic policy and economic guidance found an answer to the changes which took place in the external and internal conditions of economic development. The relative delay in the reaction was largely interdependent with the fact that we underestimated the scale of the unfavorable effects on our economy, regarding the consequences as a temporary phenomenon. On the other hand, we judged optimistically our financial possibilities and the adaptability of our economy, considering them capable of balancing out the losses. Starting from the idea that we should spare the economy from more

serious shocks, the shifting of the consequences of the changes onto the managing organs and the populace took place more slowly and to a lesser degree than justified.

We really did avoid the more serious shocks in the continuity of economic development and in protecting the living conditions of the populace. But this was possible only by making use of significant credits, which led to a deterioration of the external balance situation of our economy. There was not the necessary harmony between recognizing the timeliness of a shift to an intensive phase of development and the practical implementation thereof. A role was played in this by the fact that we feared more than was justified the effect of the harsher competition climate on our enterprises and--in more than one area of the economy--concepts and methods characteristic of the extensive phase of development continued to be urged.

Recognizing these problems, comprehensive changes were made in economic policy and economic guidance practice on the basis of the December 1978 resolution of the Central Committee. The achievements and experiences of the past 3 years prove that the chief goals were correctly designated, namely the requirement to improve the foreign economic balance and protect the standard of living. It was correct to subordinate to these two goals every other economic task in production, development and distribution policy. We judge that our management is adapting even better--if not perfectly--to the stricter external and internal requirements of economic development. This is proven by, among other things, the differentiated development of production, accommodating better to acquisition and marketing conditions and the efficiency requirements, the improvement in the efficiency of energy and materials management and the increase in productivity.

The harmony between the commodity base and the purchasing power of the populace is acceptable. There has been progress in improving developmental and innovation activity and in increasing individual and collective initiative and entrepreneurial readiness. Non-ruble accounting export has increased by more than 20 percent in 3 years and, with the moderated increase in import, the foreign trade balance and the external balance situation of the national economy have improved. Simultaneous with this, we have preserved the standard of living achieved and the living conditions of the populace have improved. Few countries in Europe can brag of similar achievements today, and the value of this in increased by the fact that we achieved these things amidst deteriorating international political and economic conditions.

All of this, however, does not mean that we have no problems or that we have solved a large part of them already. The adaptability of our economy is still less than is required. The improvement in efficiency and quality is not satisfactory. The production structure is not modern enough. We have taken only the first steps on the new developmental path, the unfolding of intensive development. It has been proven, however, that the quantitatively less can be qualitatively more, and more valuable.

A large contribution to the results achieved was made by the fact that, in recent years, adjusting to the changing requirements, there have been a number of

changes in the economic regulation, planning and organizational system. It is an essential aspect of the new price and modified economic regulator system that the managing organizations feel, more intensely and more continually, the changes taking place in the external and internal conditions of management.

Within the framework of a modernization of the organizational system, there has been a further development of the work of the Science Policy Committee and the State Plan Committee, the creation of the Economic Committee of the government, the uniformization of industrial guidance, a strengthening of the organs for market supervision and in increase in the role of the Chamber of Commerce.

A modernization of the enterprise organizational system has begun, which provides greater scope for individual initiative and rational risk taking regardless of plant size, and for a more effective organizational coordination of technical-scientific research and development, production activity and market work.

There has been a strengthening in economic policy and economic guidance practice of those aspects which prompt and encourage the managing organizations to improve the structure of production and use. The modernized guidance and regulation are now more suitable for transmitting the real requirements and relationships, which naturally requires from every unit of the economy a livelier and more constructive receptivity.

Further Goals

In regard to the development of the external conditions for our economic development, we must face significant further changes and difficulties in the years ahead also. Recognizing this, we have no possibility of making ourselves independent of the world economy or of turning inward. Ensuring the intensive development of the economy can be achieved only by improving the adaptability of the economy and by increasing its foreign economic activity. It is an indispensable condition for this that we continually further develop the system of economic guidance and every important element thereof.

Planning must be developed. The role of the plan is increasing further today; it determines in the most comprehensive fashion the direction, pace, tools, and possibilities of economic activity. Our plans must be sufficiently open and flexible to accept changes in the external world in internal development. It is also indispensable to increase the consistency of the internal interdependencies and ratios of the plan. We consider it important that planning increasingly relies on the results of scientific research.

We want to further develop the link between the plan and the regulator system so as to strengthen the development and realization of strategic thinking pertaining to the chief processes. Of crucial importance from this viewpoint is a more effective utilization of resources, aiding a regrouping of assets serving the development of a more favorable economic structure and stimulating appropriate entrepreneurial behavior.

Laying a better foundation for our economic decisions cannot be imagined without an awareness of the real efficiency and profitability relationship. And this depends in a fundamental way on the extent to which the price system can play a value measuring, controlling role. Thus, the price system must be further developed in such a way that the income positions of managers increasingly represent real efficiency differences.

On the basis of similar considerations, a modernization of the wage and earnings regulation system is necessary also. It is a requirement that the earnings regulation system not restrict but rather aid decisions aimed at increasing profitability. It should be more simple than at present. It should continue to ensure control over wage flow and it should not hinder the realization of interest within the enterprise.

A modernization of the organizational and enterprise guidance system is under way. This work is based on the recognition that there is room in the structure of our industry for both larger and more complexly organized managing units and for small and medium sized undertakings. As a result of the nearly 2-year reorganization process started in the second half of 1980--based on ad hoc surveys--the number of independently managing enterprises has increased by more than 140. One cannot yet get a full picture of the effect of the organizational changes. But we can say already that the reorganizations did not cause confusion, independent initiative has increased and profitability at the newly created enterprises has increased more dynamically than the average.

A reorganization of the research institute network has begun in the interest of strengthening the link between science and practice also. By the end of 1983, 10 institutes will be transformed partly or wholly into enterprises within this framework. Two institutes will provide a research base for several enterprises. While 22 research institutes will be transformed into other organizations--therapy, organizational, documentation and quality control institutions. The reorganization will affect more than 9,000 people, one quarter of the research institute personnel.

The link between guiding organs and the enterprises must be improved. Development of the enterprise internal mechanism is a timely task also. The present--generally--overcentralized system of trust and enterprise organization, guidance and interest should be changed in such a way that the producing units feel the market effects more than at present, thus prompting them to more flexible management. This will also aid a broader unfolding of the initiative, interest and responsibility of the enterprise collectives.

Regulations aiding the development of small socialist undertakings were published in the recent past. The new undertakings are in the starting phase. Interest is differentiated according to area, form or sphere of activity; in general, it is strongest for the creation of small cooperatives or economic work communities. Since the beginning of the year, nearly 600 small business organizations have been established, primarily at citizen initiative. The experiences with the new forms are generally favorable; they are contributing to better satisfaction of the needs of the populace. Within the legal frameworks, we should continue to aid and encourage this activity. It would be desirable

for the councils and large factories also to organize and better exploit such possibilities, thus strengthening the efficient utilization of socialist property.

Social and human factors, realistic attitudes, initiative, creative action, assuming responsibility, organization and discipline have an ever greater role in the realization of our economic policy goals and guidance-organization tasks. Speaking of human factors, I would especially emphasize the role of training and further training in forming attitudes and action.

To Raise the Level of Management

The cultivators of science have won significant merit in working out and realizing the above described economic policy goals of the party and in developing our economic guidance practice. It has been proven again that the workers of theory and practice alike can be mobilized for the well organized and prepared solution of recognized social needs. It has been proven that, after the successful preparation and introduction of the reform of the economic guidance system, our economists turned with renewed strength to working out solution possibilities for our economic problems and to their practical realization.

We must seek new roads and must operate with new tools and new methods. We know very well that the judgment of the present and the hypothesized future always were and always will be sources of passionate debates. So our position continues to be that every initiative born of a desire to improve things must be debated objectively. Only with a many-sided debate, scientific analysis, a search for courageous solutions and a combined weighing of the results and risks to be expected can we come to well-founded decisions. This is why we encourage and aid scientific research and debate aiding a renewal of theory and practice; at the same time, we see no sense in initiatives--appearing from time to time--which regard the national economy as an arena for ill-founded experimentation.

Social-economic progress today is defined not so much quantitatively as qualitatively. In the years ahead, we can prescribe only as swift a development in every area of social and economic life as is in harmony with the balance requirements, with growth in economic efficiency based on structural changes in production, with a preservation of the standard of living and with an improvement in living conditions. A slower rate of economic growth is not the same as a halt in development and certainly not the same as a postponement of the solution of tasks before us. The degree and quality of social-economic development depends fundamentally on what results we can achieve in improving the level of management. And this places more demanding tasks than before on the cultivators of science, on the practical utilization of their knowledge.

The Role of Science

The successes of scientific research and the successful practical utilization of them have at least as great a significance among the internal conditions influencing the development of a country as, for example, the exploitation of favorable geographic conditions or advantages deriving from the abundance of natural resources. Thus, it is not by chance that the Sixth Five-Year Plan mentions in first place among factors serving an increase in economic efficiency the swift and effective practical application of scientific achievements.

Science plays a determining role in more and more sectors of the economy. While earlier we had only a few branches demanding research--for example, the pharmaceutical industry, signal technology and the instrument industry--now not only industry but agriculture as well is a great "consumer" of scientific achievements. Looking ahead, we cannot even foresee entirely the possibilities offered for us by the spread of microelectronics or biotechnology.

All this puts a new light on scientific research and the significance of its achievements. It is thus indispensable that we concentrate our intellectual resources on the solution of research tasks which promise the most in the long run. We must care in a special way for the realization of the freedom of research and creativity, encouraging outstanding talents to take up a scientific career.

The science policy guiding principles worked out in 1969 and modernized in 1977 sum up not only the directions but also the possibilities of scientific development. Naturally, scientific research and the utilization of its achievements cannot be imagined without ensuring the necessary material, intellectual and organizational conditions for it.

In the present medium-range plan period--as in earlier ones--3 percent of the national income which can be used domestically can be turned to scientific research and technical development purposes, which is an acceptable ratio by international comparisons also. Naturally, one must be very circumspect in the use of this formidable sum. The advantage must be given to themes dealt with in the National Medium-Range Research and Development Plan and in other stressed research and development programs--increasing the efficiency of production and use. To a large extent, the results achieved in scientific research and technical development may determine the successful realization of our social-economic programs. Let us think only of the energy management program, the program to make use of wastes and secondary raw materials, the computer technology program, the program for manufacture of pharmaceuticals, crop protection materials and intermediaries or the electronic parts manufacture program.

Naturally, placing in the foreground research aimed at immediate economic or technical development goals does not mean and cannot mean that we should neglect other areas of science. We would be harming not only science but the entire country and society if we did not turn sufficient attention and strength to basic research determining the long-range development of scientific progress. We also attribute great significance to a swifter development of the social sciences which study and form social processes and the human aspects of economic development.

The political, social and economic leadership always studies with great attention the proposals and recommendations of the Hungarian Academy of Sciences. Forward looking ideas are weighed and given great attention in developing various party and state resolutions. It will be this way in the future also. I feel it necessary to note also that, when preparing various decisions, the Central Committee and the Council of Ministers intend to rely even more than before on the opinions and initiatives of the Hungarian Academy of Sciences and of the representatives of science in general.

Our party--the past quarter century policy of which has been the chief inspirer of reforms and renewal in every area of social-economic life--will count in the future also on an ever more active contribution by science, by the Hungarian Academy of Sciences, to the realization of our common goals. Permit me, in conclusion, to greet from the heart those who have won the recognition of our highest scientific body, the Gold Medal and prizes of the Academy. I wish further successful work to them and to every worker of Hungarian science.

8984

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ROUNDTABLE CONFERENCE FOCUSES ON LARGE ENTERPRISES

Budapest NEPSZABADSAG in Hungarian 28 Aug 82 p 4

[Unsigned article: "Roundtable: Will the Large Enterprises Engage in Undertakings?"]

[Text] Recently, especially since small undertakings have been formed one after another, the role, status, adaptability and entrepreneurial capability of the large industrial enterprises have come to the fore in debates. We talked about these questions with Miklos Pulai, deputy chairman of the National Plan Office, and the directors general of five large enterprises, Tamas Beck (Budaflax Linen Spinning and Weaving Enterprise), Andras Dunajszki (Ganz-Mavag), Tibor Keri (Biogal Pharmaceutical Factory), Istvan Martos (Medicor Works) and Janos Szep (Hungarian Ship and Crane Factory). Our editors were represented by Istvan Foldes.

Determining Role

[Question] Let us start with what the role of the large enterprises is in the Hungarian economy.

M. Pulai: The large enterprises have a determining role in Hungarian industry. In 1981 our 36 largest industrial enterprises--five percent of all enterprises--with a production value exceeding 5 billion forints employed 20 percent of the industrial physical workers, and these enterprises provided 40 percent of industrial production. In the first 5 months of 1982 these enterprises provided 44 percent of industrial export and 45 percent of the non-ruble accounting export. In the present difficult foreign economic situation it is especially important to note that the largest enterprises are expanding their capitalist export the most. According to the data of the Central Statistics Office, in the first half of 1982 the non-ruble accounting export of the smaller industrial enterprises declined while that of the largest increased.

J. Szep: Let me add a few facts to this. Last year, 18.2 percent of the sales revenue of industry came from export but within this, for example, 55 percent came from export in the transportation branch of the machine industry. The ratio is even higher for a few enterprises; 86 percent of the receipts of Ikarus and 73 percent of the receipts of the ship factory came from this source.

Profitability

[Question] In addition to the production, employment and export ratios of the large enterprises, people are interested in what their profitability is like.

M. Pulai: Profitability is the Achilles heel of the large enterprises. There are relatively many large enterprises among the enterprises with low profitability. Still, I would say that low profitability is not a large enterprise category. One cannot demonstrate that the small or medium enterprises are successful in general or that a large enterprise starts with a disadvantage. One could come closer to the truth with a study which took into consideration the peculiarities of the industrial branches, for example that a relatively larger number of the large enterprises are working in branches where profitability is especially low today throughout the world. I am thinking here, for example, of metallurgy.

A. Dunajszki: There can be no doubt that our large enterprises are, in general, more cumbersome and less mobile than the small and medium enterprises. The favorable circumstance that the fixed assets of the large enterprises are very valuable is accompanied by the disadvantage that in many industrial branches the fixed assets largely fix the production profile.

I. Martos: Our large enterprises are not really large enterprises. There are only a few in Hungary which would so qualify by international standards. The lack of a specialized background industry and the unsatisfactory nature of domestic delivery discipline force the large enterprises to manufacture themselves many products the preparation of which does not burden enterprises elsewhere. Investment in such activities takes assets from the development of the main profile and unnecessarily increases the size of the enterprise, and manufacture costs the enterprise, and the national economy, more than if a plant specializing in such things manufactured them. The large enterprises did not establish foundries and small plants to manufacture nuts and bolts because they wanted to. They would be glad to give it up if the security of production permitted it.

A. Dunajszki: The large enterprises undertake a lion's share in the realization of various tasks of national economic importance. But in many cases playing this role is less profitable than the average. Ganz-Mavag, for example, participates in the manufacture of equipment needed for the gas program and in the nuclear energetics machine manufacture program. Our enterprise is interested in virtually all large investments. For many large enterprises--including Ganz-Mavag--the financial situation of the enterprise is made difficult by the investments started in earlier years and still under way. For example, our enterprise invests a sum exceeding one billion forints each year. We would have to increase production by 15 percent per year just to meet the loans coming due. Last year we achieved a growth of 10 percent, a good bit more than the 2.3 percent average for industry. We planned a production increase of around 10 percent for this year. But this rate can hardly be maintained for long.

T. Beck: The theme of small and large enterprises is one which should be discussed only dispassionately, free of all fashionable trends. In the early 1960's, when a number of small and medium enterprises were being combined, too much was permitted to the fashion of combination. If we now yield to a fashionable campaign in the opposite direction it would cause harm.

In my opinion economicalness is not a question of enterprise size. A delegation of American businessmen and university researchers recently visited the Chamber of Commerce. They said that according to their experience the large enterprises stand up better in international competition; but innovation is much stronger and more efficient in small enterprises. Of course there are world famous large enterprises in which the latter are outstanding also (for example, IBM), but under the present world economic conditions more than one famous large capitalist enterprise is going bankrupt (for example, the ARG), and even more small enterprises of course. In any case, the requirement is to create better incentive for the factories and production units within the large enterprises. We are working with a new, attractive incentive system at the Linen Spinning Enterprise this year. In general, however, we are at a disadvantage here. We have no methods which will synchronize the interest of the manufacturer and the cooperating shipper.

T. Keri: Our large enterprises came into being in very many different ways. There are those which were created as large enterprises from the start, as a result of the peculiarities of the branch of industry, and there are those which were created "by organization," and not always in a fortunate way. But the creation of large enterprises is primarily an economic category, and not an organizational one.

Biogal grew into a large enterprise on its own. Seven years ago the value of our production was only 600 million forints; since then it has grown more than four times.

There can be no doubt that large enterprises have advantages, and certain disadvantages too. But the attitude which I would call large enterprise arrogance is a mistake. Only monopoly enterprise arrogance is worse. Do not misunderstand me, I am talking not about people but rather about an attitude which can be felt in a thousand things in daily cooperation, and which is harmful to the entire economy.

J. Szep: We have already talked about how important their role in export is in judging the large enterprises. But it is not easy to stand one's ground under present conditions, it is not easy to export economically with the sharp competition and the depressed prices resulting from it. Still, the ship factory has achieved a profitability in its capitalist export of above 18 percent, while realizing a profit of only about 6 percent of the sales revenue on domestic deliveries. The frequent changes in rates of exchange and the already mentioned tightening of the regulators makes our situation more difficult.

M. Pulai: What is misleading is that for us even economic processes appear as modifications of the regulators and frequently appear to be arbitrary intervention by the state. But by virtue of regulation the state is largely

passing on those processes which are natural for a capitalist enterprise, having an effect directly via the market.

Accommodation

[Question] The crucial thing is how the large enterprises react--directly to the market effects or indirectly to the regulators--their adaptability and readiness to assume risk.

T. Beck: These latter two forms of behavior should be treated separately. The big problem for Hungarian enterprises is adaptability. In my opinion the large enterprises are ready to engage in undertakings.

A. Dunajszki: The example of Ganz-Mavag shows that the large enterprises dare to take risks. Especially today, the market is such that we undertake even unusual conditions, or there goes the business. For example, we undertook to deliver trains the necessary material for which (steel which hardly rusts) was then being manufactured only on an experimental basis at the Danube Iron Works. In another case we undertook manufacture of railroad rolling stock with a 15 month delivery, although we knew that the usual technical preparation and material acquisition time took at least this long.

I. Martos: Even before the introduction of the economic reform Medicor was among the first in the country to engage in what is today the preferred form of undertaking, organization of prime contracting. In the time since, about one third of the sales revenue of the enterprise, and half of the capitalist sales, have come from prime contracting. A market organization suitable for this was built up at very great material sacrifice. The fact that the markets of Medicor are relatively stable even today can be attributed to an undertaking begun in time, to flexible accommodation to the market and, not least of all, to the possibilities deriving from the size of the enterprise. According to our plans the share of prime contracting will reach half of the sales revenue by 1985.

T. Keri: It can be said of Biogal also that it is an enterprise with an entrepreneurial character. Our enterprise policy is actually built on outside cooperation, cooperation with other domestic enterprises, with the factories of socialist countries and with capitalist firms. Most recently, for example, we formed a joint enterprise with a Swiss firm for the manufacture of the primary material for a liver medicine.

J. Szep: The key question for accommodation is the development of a production structure which is capable of satisfying the changing needs of the market. Let us take boiler manufacture as an example. A few years ago it was thought that this material demanding profile should be completely eliminated in Hungary. But in the mid-1970's it turned out that this was a product which could be exported very economically. Our factory had long manufactured power plant boilers for domestic use and for socialist export. We reached the capitalist market for the first time in 1976, and by 1980 we had received \$160 million worth of orders for boiler manufacture. We are counting on receipts of \$30 million from this source this year. Today, this is our most profitable manufacturing branch. Here also the domestic cooperating enterprises increased the risk.

The starting point for flexible accommodation is good knowledge of the market. We can get business only if we know what sort of investments involving our profile are being planned in various countries.

Enterprising Spirit

M. Pulai: Let me give another ship factory example of quick reaction. Since we became a member of the World Bank we have had a way to make deliveries for developments financed by this bank. The Hungarian Ship and Crane Factory was prepared for this in advance; even before our being admitted it submitted a bid in a port development competition advertised by a North African country and financed by the World Bank. But I would like to note that this quick reaction time and entrepreneurial readiness is still far from general.

[Question] Does regulation provide sufficient incentive for the development of entrepreneurial spirit despite the difficulties which have been mentioned?

I. Martos: It is our experience that all is not well with the remuneration of entrepreneurial readiness. It would truly develop if we realized the principle that he who gives more gets more. This applies to both enterprises and individual workers. Today, in regard to enterprises, the practice is rather that more is taken from him who gives more.

The other difficulty is increment interest. Before all else the enterprises are interested in increasing their profit and export volume of the previous year, but under present conditions it is often quite an accomplishment if they can maintain the level of the previous year, especially if this level is higher than the average. If some enterprise increases an export of two million dollars to three million it gets a premium for it. But if, for example, instead of 49 million in export it produces only 48 next year, or is able only to maintain the 49, it does not get a penny.

J. Szep: Last year 34.6 percent of the sales revenue of the ship factory came from capitalist export. In my opinion if we should maintain this level a few people should get a medal, because this ratio is three times the machine industry average. We should not be punished because with our \$48 million export we set a high standard for ourselves.

T. Keri: We also feel that today support for weak enterprises is drawing assets away from a swifter development of those working better and from better remuneration of their workers. Of course I know that some sort of radical change here would be senseless. But where the lack of profit is the fault of the enterprise, of the enterprise leadership, we should act harshly. Even a large enterprise should be permitted to go bankrupt. Of course there are temporary difficulties and those worthy of help should be helped.

[Question] How does the manpower situation affect enterprise management?

T. Keri: In connection with the manpower situation, and let me add in connection with work discipline, there are those who feel that a little unemployment, livelihood insecurity, would not hurt. Unemployment is not

permissible under our conditions, but a certain degree of livelihood insecurity could be produced by having people interested in holding on to jobs which offer earnings better than the average. But this would require that enterprises which are working well really be able to pay their workers. We need a new premium payment system, serving greater wage differentiation.

A. Dunajszki: The manpower situation is certainly one of the limits on enterprise adaptability. It is a disadvantage as opposed to capitalist firms that they have no problem bringing more manpower into production for each new undertaking. Here, it is true that quite a few people could be freed and transferred to other work by making production better organized. But at a large enterprise like Ganz-Mavag, for example, where many of the workers commute the drawing power of the village is especially felt. Personnel has decreased in industry and increased in agriculture recently, especially in the auxiliary operations of the producer cooperatives.

J. Szep: There is a similar situation in the ship factory too. Already, we can meet our obligations only by employing 250 Polish and 100 Czechoslovak workers.

M. Pulai: But some of the auxiliary operations of the producer cooperatives are performing just those background industry activities the need for which was so emphasized here, making deliveries to the large enterprises. In any case, the trend in industry is to reduce the number of employees, as the increase in productivity exceeds the rate of growth in production. This is an expression of the improvement in efficiency. Over the longer run the increase in personnel has not been in agriculture so much as in the various service branches. And although the migration of manpower has been a recurring large enterprise complaint for years this is not the chief obstacle to increasing production, rather it is the relative slowness of structural adaptation. Anyway, it cannot be said that manpower mobility is too great, although the direction of it may not be good in places.

Ne Forms

[Question] The economic associations within various enterprises may also serve to mitigate the manpower problems which certainly exist. How are you making use of this possibility?

T. Keri: We are trying to create conditions for sensible economic associations within the enterprise, but we would not like to make a campaign out of it. Many enterprise problems could be solved by organizing small undertakings. Let me give one example from Biogal. We are a pharmaceutical factory, we manufacture primarily antibiotics. We had a foreign customer who asked our cooperation in building such a factory. We created an association made up of our experts to satisfy the request. Since then we have received a commission for similar work from another country. But you have to watch out for something, namely that the economic associations within the enterprise not be cloaks for a lack of organization during regular work time, that they not undertake--for extra money--what should have been done in regular work time.

J. Szep: Thus far we have had one small undertaking, in Vac to manufacture container frames. But let me raise a problem. One can organize a small undertaking only for a task of a permanent character. But there are many tasks in the factory which come up only from time to time. If, for example, a roof must be repaired we could do it more cheaply with our own people than with an outside firm, but special small undertaking cannot be set up for this purpose. So people go away to work elsewhere after work time, but if we permitted them to engage in "small undertakings" on overtime and even loaned them the necessary equipment they would be glad to do the work. We now have the absurd situation that, on the one hand, we could pay anything for a small undertaking, because this is not a wage cost.

Overcentralization

M. Pulai: I would like to supplement what has been said by noting that the question of accomodation and of engaging in undertakings is not simply a matter of production profile or product structure. I agree that this includes rationalization within the enterprise, costs savings, whereby the enterprise can adapt from the side of production costs, making its products more competitive. One might include here participation in those large government programs which aid the better world economic accomodation of our entire economy; I am thinking here of energy rationalization, or processing by-products and wastes and of government programs serving to improve materials management. Unfortunately, it cannot be said that the activity in this regard has been sufficient. Several large enterprises are organizers and intellectual centers for working out and executing various themes; but there are also those where it seems that nothing has happened.

There was mention in the debate of organizational questions. What was said here does not contradict the recognition that Hungarian industry is still over-centralized, and some of the difficulties derive from this. In the past 2 years we have given, with government initiative, the first impetus for a rational study and transformation of enterprise organizations. Now there will be a phase in which this process will continue not from above but rather from below. Economic regulation must create conditions which will make possible an expansion of organizational possibilities in a natural way. We must modernize the flow of production funds and assets. Small enterprises, daughter enterprises and joint undertakings, for example, could be good forms for ending the deficiencies of the background industry also.

I consider it very essential that there was mention in the debate of the internal mechanism of the enterprises. We have well organized enterprises but in general, unfortunately, this is not what is characteristic, even less that internal enterprise organization constantly adapts to the new requirements. What has been said in our conversation also shows, however, that attitudes have changed in many respects and that practice is beginning to change also.

8984

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OPPORTUNITIES FOR BUSINESS ASSOCIATIONS IN TRADE EXPLORED

Budapest NEPSZABADSAG in Hungarian 28 Jul 82 p 10

[Article by Dr Gabor Engel, deputy director of the Domestic Trade Research Institute: "Partnership Opportunities in Commerce"]

[Text] Conforming to the continually changing economic environment, exploiting market opportunities and fending off or minimizing unfavorable effects justify a greater role for business partnerships. We are still at the beginning of the process of creating commercial partnerships. Yet based on experience, the activities whose joint handling is in the interest of the national economy and the enterprises as well as of the population, can be determined; the obstacles that slow the spreading of partnerships can be outlined.

Commercial partnerships make sense primarily if they facilitate production and distribution of the merchandise and thus decrease the cost of selling it and if they help adjust the merchandise supply to demand by providing the needed services (quality control, maintenance, etc) to the commercial enterprises.

Joint Purchasing

It is no accident that commercial enterprises showed greatest interest in recent years in partnerships for joint purchasing. The participants in these are mainly retail organizations, their primary purpose is to improve merchandise selection by direct purchases from, and production orders to, the producers. Thus their operation is characterized by efforts to ease supply shortages. (At the same time this form accounts for a relatively small percentage of the total merchandise purchases by the participating enterprises.)

The partnerships are using only a small portion of the cost-reduction opportunities available by joint purchasing. In purchasing, the participants are preserving their independence; the joint and coordinated organization of transportation, quality control and storage are exceptions. Also the profit orientation and the effort to obtain more favorable prices and payment conditions are weak in these cooperative ventures. The enterprises--and not only for ideological reasons--are reluctant to commit significant financial resources to joint purchasing in the partnerships. This decreases the possibility for more favorable conditions.

In order for the purchasing partnerships to improve not only supply but also profitability, it will be necessary to create the following conditions when improving the regulatory system:

--financing system that provides the opportunity for individual participants to bridge their temporary payment difficulties within the framework of the partnership.

--creation of possibilities for "commercial credit" in the seller-buyer relationships. (It would be correct to allow the enterprises to make their own agreements regarding payment deadlines instead of the present 30 to 90 days.)

By further improving the system of pricing and profit devices, greater opportunities and motivation should be created in the relationships of enterprises for price discounts and price premiums. One condition for this is a different approach in applying the so-called pricing profit, as well as eliminating the differentiated handling and use restrictions on received and earned venture funds.

The existing measures provide theoretical and legal opportunities for renting warehousing capacities (or warehousing services). But with limited capacities, there are few actual possibilities. One significant obstacle is that generally the warehouses feasible from the rental viewpoint have interests contrary to purchasing partnerships. Presumably it may become necessary to change this by organizational measures--for example, by setting up warehousing service enterprises. (Such organizations can also be set up as partnerships, subsidiaries or joint enterprises.)

Cooperation in Sales

There are relatively few partnerships to increase sales or jointly to create conditions for handling sales more profitably. These include the Skala-Coop department store system, the Domus furniture store system, the Skala S model chain and the Feszek [Next] building material department store system being established. The initiatives and attempts aimed at establishing self-service warehouse stores and discount sales facilities can be mentioned here. The few joint stores of producer and commercial enterprises and of wholesale and retail enterprises also theoretically belong in this category. The creation and operation of these partnerships is also preconditioned by the purchasing and development-investment cooperation of the participants.

Basic national economic interest is tied to the creation of sales partnerships. They can help the faster spread of methods for economical and modern service sales and can contribute to organizational conditions of economic competition. (Of course, in some cases they also may limit competition.) The task of economic management is to promote the establishment of sales partnerships so that concurrently it would also prevent a monopolistic situation.

It is desirable to develop the sales partnerships with a vertical character, that is, with the participation of the producers. This may increase their sensitivity to the market and may provide commerce with a reassuring [sic] merchandise supply.

It may become necessary to form sales partnerships to establish chain store systems. Their characteristic is that identical business policy concepts are

implemented in stores owned by various enterprises. The main elements of this are the offering of coordinated and typical merchandise and services--distinguishing it from those outside the system; basically identical (characteristic) operating technology, outer appearance and atmosphere of the participating stores; common pricing policy; common marketing and advertising. These chain systems presuppose an operating technology developed for that purpose--and one that can spread profitably--and a stable merchandise purchasing background that conforms to demand and to the chain's business policy.

From the organizational viewpoint the merchandise background can be created in two ways. In certain areas the chain's participants themselves perform production, wholesale and import activities (this trend is seen in the Skala system). Or, the chain is set up right so that the producer providing the merchandise background is also a participant (for example, the chain of stores being set up in the restaurant industry, specializing in poultry dishes).

These systems are performing a complex activity, whose full development--even with individual partnerships--requires a longer time. The elements of cooperation can be introduced gradually, built upon each other.

There is a need, and also in part an opportunity, in several areas for creating commercial chain store systems. There is an opportunity to set up an additional department store chain system--to enliven competition--besides the Centrum, Skala and Domus systems, since, of the 156 department stores with industrial merchandise profiles, 61 are outside these systems. Of these, 25 are operating in localities with competing department stores belonging to the mentioned systems. Of these, 25 are operating in localities with competing department stores belonging to the mentioned systems. One obstacle is that the affected enterprises do not have a concept for the basis of the chain system, nor a standard technological and operational technique. Nor is there a particular incentive for them to accept the costs of developing these, or even the opportunity to do so at this time.

Selling many products requires special trade knowledge and certain sales conditions (for example, handicraft tools, some fashion items). Product chain systems would have to be developed in cooperation with the producers with such products sold in separate stores or in certain parts of the stores. Identical sales environments would be developed in the stores (equipment, technology, services) in cooperation with the producer, eliminating the wholesaling step. With the appropriate interest, the costs of developing these could partially or wholly be absorbed by the producer. No such product chain has yet been developed in Hungary but a number of component elements can be found, for example, in some jointly operated stores or temporarily in an experimental form. These did not develop into chain systems, partially because they were primarily built on bilateral agreements.

Development Investment

In recent years a number of trade establishments have come into existence through enterprises entering partnerships; the implementation or preparation of several is in progress. Most joint investments are justifying their right

to exist by their operation, in spite of the fact that the partnerships cover only the investment's implementation and then technological, maintenance and possibly advertising cooperation during operation. Merchandise distribution (purchasing-selling) partnerships did not develop from these even when the character--the technological characteristics--of the establishment practically suggested this (for example, the new major department store in Szeged).

This can be explained not by some kind of subjective or ideological reasons but rather by the actual interests of the enterprises resulting from the given solutions of the regulatory system. If, for example, the cooperation is implemented in the form of a joint enterprise, and quite a few experiences indicate this--the interest of the founding parties is not enough. Because of the given system of removing some income, the profits remaining with the enterprise are generally insufficient for the founding enterprises to receive any profit without endangering the viability of the joint enterprise.

It is not surprising that the investment partnerships typically did not, and do not, come into existence on the basis of initiatives by the enterprises.

The short-range and direct enterprise interests in creating and maintaining partnerships are moderate. At the same time in a number of areas it is in the interest of the national economy and of the enterprises over the longer range, that partnerships spread faster.

This must be taken into consideration during work for the further development of the economic directing system, attempting to develop the necessary interest conditions. Voluntary participation by independent enterprises is a characteristic of the enterprise category of partnership. This does not exclude the economic organization work of the economic management organs (supervisory, branch management, and market control organizations) for creating partnerships. But tools that are foreign and contrary to the interest system must be excluded from the regulations.

Initiatives should be taken by the management organs when the desirable national economic goal can only be achieved by partnerships under such circumstances. It would be desirable to make unambiguous regulations for authority and tools of the management organs in this respect. Presumably it would be practical--taking also into consideration experience--to determine which initiatives and measures are not permissible.

8584

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SMALL BUSINESS REFORMS' RESULTS DEEMED SMALL

Budapest NEPSZAVA in Hungarian 22 Aug 82 p 4

[Article by Zsuzsa Varga: "The Small Entrepreneur Is Not Interested"]

[Text] "It seems everyone wants to be a small entrepreneur nowadays"--grumbled disapprovingly an acquaintance of mine recently who, needless to say perhaps, is in the category of people living on wages and salary. And his remark--also obviously--referred to his conviction according to which all types of the small enterprises are gold mines.

The opinion of that Patyolat [Dry Cleaning Enterprise] store manager is diametrically the opposite of all this, who--similarly to a number of her lady colleagues--was not willing to take over the advertised store to manage it under contract. She thinks that even before she worked through her working hours, and due to her steady group of customers she was just as courteous during the evening peak traffic hours as she was at the beginning of her working day. In addition to this, in the traditional arrangement the maintenance of the very expensive machinery and equipment is not her problem, and neither is the administration which she does not understand, and therefore, the complicated requirements associated with the contract especially scare her away. And as long as she does not have to, why should she take more problems on her shoulders, particularly with the hope of not necessarily more income?

Advisory Committee

Well, it was one of the basic goals of the governmental resolution dealing with the organizational modernization of the services that the quality of the services should improve with the new enterprising formats, and competition should begin for the customers and buyers. One half year has passed since the statutes went into effect. Thus, it is now time for the first summaries and reviews. This is what the Trade Union of Local Industrial and City Management Employees did also, since more than two-third of its membership of 3,000 earns its livelihood in the service industry. It concluded that the development is rather slow in spite of the 122 new organizations established in its area to date, and of the additional over 230 in the process of being set up.

In many places the first steps were followed with encouraging helpfulness, even though the theoretical position taking of the appropriate ministries was too slow in coming. But in several megyes of the country the councils actively and responsibly handled the development of the new enterprising formats. In Tolna and Hajdu-Bihar [megyes], for example, megye advisory committees were formed, and in Csongrad [megye] the megye's party and council leaderships relayed to the public in a seminar lasting several days, the many things one needs to know to start the new enterprising forms. The capital city's building maintenance economic association was formed in Budapest, and its special job is to help in the operation of the organizations being set up.

Well Drilling and Support Industry

Of the abovementioned small enterprises established so far, almost 80 help in the communal and public utility services by, for example, connecting sewer and water lines, drilling wells, and also many of them take on the production of goods or providing services to the population, dwelling maintenance among them. As far as organizational formats are concerned, most of them are leases or enterprise business work partnerships [vgm's]. A joint enterprise was set up recently for tool production by Pest megye's Plastic Industry Enterprise, the Hungarian Plastic Processing Enterprise, and Granvisus [an enterprise].

In Tiszaalok the lumber industry enterprise is negotiating with the appropriate foreign trade enterprise and with the National Development Bank [AFB] about the production of school furniture and educational equipment, and the Nyiregyhaza Fashion Clothing Enterprise wants to contract with a plastic industrial cooperative and also with the development bank in an important and very sensitive area, in the support industry for the clothing industry.

But in Borsod [megye] the problem of keeping the manpower is not squeezing the enterprises yet, therefore they have come up with relatively few initiatives so far. And the enterprises that may be considered, are not looking for the legal opportunities because there are so many opportunities for privateering and for work on the sly--primarily in the construction industry,-- that they find their calculations very well even without them. Thus the small enterprise is not exactly a convincing competitor yet for moonlighting [off the books].

It was observed in Baranya megye--but it is valid nationwide,-- that even where the enterprises are "on the move," this is not always to the benefit of the small entrepreneurs. That is, most of them--understandably from their own viewpoint--are advertising those units, that is, simply: they would like to get rid of those units which are performing poorly, are losing money, and are not modern.

Well, perhaps things went easier in the hospitality industry since most employees inherently have an enterprising spirit, and a certain amount of risk is also a natural part of the profession. However, there was not need for all this so far in the service branch, and nobody taught this to the

people working there. So they are more reluctant to move, especially when they see: they have to produce a profit from the losses, under increasingly difficult economic circumstances and--we can safely say this--under worse than average conditions. Not only because of the circumstances mentioned but also as a consequence of the general regulations. A single selected example is sufficient: the drycleaning store. If they lease it out, it does not qualify for state subsidy, to which the enterprises and cooperatives are still entitled now, and even so they are having difficulties to operate.

It Takes Two To Do Business

For similar reasons there is also little movement around the hairdresser salons. About one-half of the stores of the Budapest State Hair Dressers Enterprise are now operating at a loss. It is true that the smaller administrative burden of the new enterprising formats offers more flexible economic operation and the opportunity to decrease the present losses; yet, it seems, not very convincingly for the time being.

Even though, if there is one area which can best operate in small, independent units, in all certainty it is hairdressing--a series of examples proves it in all parts of the world.

We can complement the truth of the proverb, that all beginnings are difficult, with another golden truth based on the first half year's experiences: that it takes two to do business. On the entrepreneur for one, in whom, it seems, at times there is not enough enterprising spirit, who are afraid of the risk, and who hardly possess the capital (and how could they have it) often necessary for starting out. And for the other, at the same time, more and more examples prove that there is a great need to simplify the complicated legal regulation and excessive administration, and in some areas to increase the interests, to provide tax benefits, in order to make it more convincing: being an entrepreneur is worth the effort.

All this is important so that the quality of the services really be able to improve as a consequence of the new enterprising formats gaining ground. Which for the time being--and it does not hurt to face this--cannot yet be felt.

8584

CSO: 2500/383

MINISTER DISCUSSES HOUSING SITUATION

Budapest NEPSZAVA in Hungarian 20 Aug 82 p 3

[Interview with Dr Kalman Abraham, Minister of Construction and Urban Development by Gabor Szathmari: "Building Maintenance--More Modern Methods. Conversation with Minister Dr Kalman Abraham"]

[Text] Taking into account the various comments heard in the course of the debates of our social organs, the Central Committee of the MSZMP and the Council of Ministers have adopted several policy guidelines aimed at improving housing construction and management. In these guidelines--which already serve as the basis for some forthcoming government measures--the renovation and modernization of old residential buildings is considered just as important as the construction of new homes. How realistic are these plans? How can we establish the necessary conditions that would make renovation, which still is a source of constant irritation, better organized, faster and more efficient? This was the subject of our conversation with Dr Kalman Abraham, Minister of Construction and Urban Development.

[Question] It is a well-known fact that there are many neglected and run-down residential buildings in our cities. Not only in Budapest, but also in the provinces. What are the underlying causes that have led to such an accumulation and worsening of the problems they present?

[Answer] As in all cases, in order to realistically examine this question we must look at it in its historical context. Our problems concerning the renovation of residential buildings reach back to World War II. During the war and in the years which immediately followed building owners understandably did not spend much on renovations. After the liberation, life demanded that the many thousands of residential buildings damaged in the war be expediently restored and that habitability be ensured at any cost. Rents, reflecting the population's social conditions at the time, were so low that they did not even cover the most essential maintenance costs of residential buildings, let alone necessary repairs. The financial resources of the state, however, were needed for other important purposes, such as industrialization and related investments which were unavoidable.

Along with industrialization and migration to the cities came a growing demand for new housing. This is what had to be satisfied first and foremost

with every means available. It can already be considered a great feat that between 1960 and 1975 we successfully completed 1 million new housing units and that almost one-third of our population was able to move into new homes. It is also true, however, that the maintenance and renovation of existing residential buildings received little attention and energy not just in our country but around the world. Although the funds earmarked for this purpose have been doubled since the Fourth Five-Year Plan, no efforts have been made to ensure that they are properly utilized and rationally expended. As a result we have been unable to make up for the lost time. What has made the situation even more difficult is the fact that at the time both the residents and the operators neglected to perform regular maintenance and repairs.

[Question] In other words you feel that there are objective as well as subjective reasons behind the lagging of necessary renovations.

[Answer] Indeed, objective reasons could also be cited to explain the existing situation. It is enough to point out that in the past decades this drive to commit all available resources to new construction has been more than just a domestic trend; it has been a world phenomenon. Today everyone can see that we are giving increasing attention and priority to the problem of renovating and modernizing old residential buildings.

Still another reason to be mentioned here is the fact that there was such a serious shortage of housing in Hungary, and so many people lived under unbelievably poor, unsanitary conditions, that for a long time the main consideration was to examine everything from the point of view of quantity. In order to build a large number of dwellings within a short period of time, the construction industry had to take over adjoining, large areas and use prefabricated building elements and giant machinery. Naturally, we would not have been able to build a million residential units in 15 years just by building up vacant lots and by renovating and modernizing old buildings. Hence these efforts can also be easily explained. When a hungry man is finally given a chance to eat and attacks his food it can make him sick. In housing construction we had been starving for a long time and somehow we have had to satisfy our hunger. In doing so, however, we have gotten indigestion, in other words we have failed to take timely notice of the shortcomings of large-scale housing construction and of the quantity concept.

The 1.5 million new homes built during the past 20 years have enabled us to be more demanding, to look beyond the primary, basic function of a dwelling, namely to serve as a place where people can at least live, and take into consideration the circumstances under which we live, the degree of comfort which our home provides for us, our human endeavors and the extent to which the surroundings of our residential building or unit satisfies our aesthetic requirements.

[Question] When, in your judgment, can we expect to overcome this apparent lag in the renovation of residential buildings?

[Answer] It must be clearly understood that the extent of this lag is not the same in Budapest as it is in other areas of the country. One of our

country's unique characteristics is that one-fifth of its population resides in Budapest, hence it is here where most of our new housing construction is taking place and it is also here where the lag is the most serious. Consequently, it is in the capitol and in a few other high-priority cities where we face the most difficult tasks. It will take long years of hard work before we can renovate residential buildings according to the required standards.

Another peculiarity which we must keep in mind is that there are significant differences not only in the location of our residential units but also in the structure of our buildings. The situation and tasks confronting us in the case of buildings constructed in recent decades are different from the ones we face in renovating buildings which were built 50 to 100 years ago. Eliminating these lags, therefore, will require continuous effort. During the decade and a half between now and the millenium we expect to be able to establish the necessary conditions this requires, even in areas where the situation is more serious.

[Question] What is the basis for your optimism?

[Answer] The fact, that in the areas of residential building renovations, apartment maintenance and modernization we have a program under way which meets our social needs and which takes a reasonable view of our realistic possibilities. Our party and government resolutions aimed at improving our housing situation are placing a growing emphasis on tasks which are connected with the maintenance of our existing housing stock and with the preservation of our country's housing wealth. During the present five-year plan cycle, despite our extremely difficult economic conditions, our national economy is spending 60 percent more for residential building maintenance purposes than it did during the fifth five-year plan period. The fact that we fulfilled last year's program, in my opinion, is a good sign. Even in the capitol, where maintenance and construction present the most problems and the greatest complications.

Another reason why we can expect success in carrying out this task is that simultaneously with reorganizing the structure of our construction industry we are also making changes in our incentive system to ensure the fulfillment of the program.

[Question] Making renovations faster and more attractive requires many new small machines. How can we establish the necessary conditions for small-machinization?

[Answer] The modernization and small-machinization of residential building renovations has already begun. During the past ten years, the value of the machinery equipment used by our local construction enterprises, who do most of our renovation work, has doubled. Mechanization has been the most successful in material handling, but there is also an increasing number of maintenance-type specialized construction activities which are performed using universal, easy-to-handle small machines, electric-powered hand tools, modern scaffolding and technical solutions.

During the period of the Sixth Five-Year Plan our local real estate management organizations may continue to expend significant financial resources for technical development. As a supplement to their own development funds of nearly 1.5 billion forints, they have also received 1 billion forints in central subsidies. Most of the money earmarked for development will be spent on mechanization and on expanding their technical base. Our government has also made it possible for the capital city and megye councils to transfer financial resources from their residential-building repair funds for the development of construction capacities.

[Question] Today our real estate management enterprises have virtually no interest in using the funds available to them for renovating as many buildings as they can and in the most modern way possible. As for the contractors, their main interest lies in charging for as much work and material as they possibly can. What could be done to better coordinate these interests?

[Answer] I agree. We indeed lack sufficient incentives. As I have already indicated, the measures we have taken so far as well as those contemplated have all been aimed at changing this situation. Coping with today's requirements demands real estate management organizations which, based on sufficient material incentives, can economically maintain our residential buildings and which can act in time to perform necessary maintenance, renovation and modernization.

This, of course, also requires some organizational changes. It would seem expedient, for example, to distinguish between activities which pertain to the management and operation of residential buildings and those which have to do with regular maintenance, renovation and modernization which can be performed under a contractual arrangement. Another realistic idea which could work in new and renovated buildings is to delegate the responsibility of performing the everyday chores of building management to renters' associations. These renters' associations would have control over a share of the rent set aside to cover operating and maintenance costs.

It is becoming increasingly clear, furthermore, that those activities which have to do with renovation and modernization can be more effectively performed by independent construction organizations, and occasionally even by independent units, subsidiaries, syndicates and business work partnerships detached from the organizations performing real estate management-related activities. Under such an arrangement the basic task of our transformed real estate management organizations--in addition to fulfilling their proprietary function and performing house-managerial services--would be to systematically plan, order and supervise renovations.

[Question] When can we expect these organizational changes to take effect?

[Answer] The further development of local real estate management and the modernization of its incentive system is to begin next year and the new operational conditions must become universal by 1985.

[Question] Can we hope that this new system will help speed up renovations and make them less inconvenient for the residents?

[Answer] By all means. Our goal is to be of minimal nuisance to the residents. This, of course, will require a great variety of efforts. First of all, we must make qualitative improvements in the way renovations and modernizations are planned. For example, the experts assigned to assess all the things which need to be done should avoid making repeated visits to the scene and should refrain from constantly disturbing the residents while collecting their data. Most renovation and modernization-related tasks must be taken not only out of the apartment, but also out of the building. Whatever they can they should prepare, preassemble in the shop, so that when they get to the apartment or house all they need to do is to put the gadget or equipment in need of replacement or repair in its place. This, however, requires a considerably broader material-industrial, and in general, industrial background and more adequate preparatory workshops than what we have available today.

I am a strong advocate of concentrated mass renovations because they help prevent the scattering of our resources. One sign of this effort is that in certain areas they are already moving residents to different buildings which, if they consider them suitable, some of them may even keep as their new homes, thus sparing themselves the inconveniences which another move might entail.

[Question] We receive many reports from the readers of NEPSZAVA concerning waste and negligence found around renovation sites. Will the new system also put an end to this?

[Answer] The only way we can eliminate waste and negligence is by making certain that our real estate management enterprises and our population maintain a close watch over these activities and that the proprietors, i.e., the councils, more alertly protect the property of the state. It was to limit waste and unreasonableness that a resolution was passed forbidding replacement of old, but still reliably operating house appliances, bathtubs, floors and heating systems without the consent of the resident. In this area also we must strengthen the concept of savings-minded management.

In addition to all this we must also keep in mind that rents do not, and will never cover the costs of renovation and maintenance work. These efforts will continue to rely on contributions from society. This is another reason why we must become even more savings-minded.

Incidentally, I must tell you that in addition to some really annoying incidents, more and more renovations have come to our attention recently which can be considered exemplary from every respect. Of course, for us to be truly happy the population will also have to notice the results of our good work.

9397

CSO: 2500/385

MINISTRY ESTABLISHES MANAGEMENT, ADVANCE VOCATIONAL TRAINING INSTITUTES

Budapest IPARI KOZLONY in Hungarian 15 Jul 82 pp 568-569

[Decree No 110/1982 (Ip. K, 17) IpM by the Minister of Industry, on establishing an Industrial Management Training Institute]

[Text] 1. Based on authorization from the Council of Ministers on the development of industrial managers, and in connection with resolutions by the Council of Ministers concerning the advanced political training of top-level management personnel and the training of management replacements, I am ordering the establishment of a manager training institute to implement management training and advanced training tasks within the sphere of authority of the Ministry of Industry.

2. The name of the institute is the Industrial Management Training Institute (hereinafter: institute).

Its location is Esztergom-kertvaros, Nos 35-39 Wesselenyi st.

The supervisory organ is the Ministry of Industry.

The institute will operate as a budget-supported economic operating organ in the profit-oriented interest system.

3. The institute is under the supervision of the appropriate state secretary of the Ministry of Industry for this topic area; its professional direction is handled by the head of the Main Personnel and Training Department.

Its principal and vice principals are appointed by the state secretary.

4. The institute's organization and operation are governed by the "Organizational and Operating Regulations for the Industrial Management Training Institute."

5. The task of the institute, in accordance with the government resolutions quoted in point 1, is:

--to prepare the management employees of the Ministry of Industry and of the enterprises that it supervises, and their replacements, to handle their managerial tasks; to provide them with advanced training to maintain their managerial knowledge and abilities; and to increase these in a planned manner;

--to provide professional and advanced training for the managers of the personnel departments of the enterprises;

--to provide professional and advanced training in computer technology;

--to train seminar leaders;

--to publish seminar training materials, notes and aids; and

--to perform the development and coordination to promote all this, as well as to organize and maintain central records concerning managerial manpower.

6. The institute will handle other tasks related to education and advanced training not mentioned in the previous point, as assigned on a case-by-case basis by the ministry.

7. The institute may also handle the management training and advanced training of enterprises supervised by the cooperative industry, council-managed enterprises or other ministries, within the framework of cooperative agreements.

8. This decree will go into effect 1 July 1982.

[signed] Lajos Mehes

Minister of Industry

[Decree No 11/1982 (Ip. K. 17) IpM by the Minister of Industry, on establishing an Advanced Industrial Vocational Training Institute]

[Text] 1. Based on authorization received from the Council of Ministers, I am ordering the establishment of an advanced vocational training institution for vocational training and advanced training of workers of enterprises supervised by the Ministry of Industry and particularly to carry out the tasks related to the governmental resolutions concerning the general principles of the system of advanced training of tradesmen and workers with secondary level education.

2. The name of the institution is the Industrial Vocational Advanced Training Institute (hereinafter: institute).

Its location is Budapest IX [9th district], Vendel street 3/b.

The supervisory organ is the Ministry of Industry.

The institute will operate as a budget-supported economic operating organ in the profit-oriented interest system.

3. The institute is under the supervision of the appropriate state secretary of the Ministry of Industry for this topic area; its professional direction is handled by the head of the Main Personnel and Training Department.

Its principal and vice principals are appointed by the state secretary.

4. The institute's organization and operation are governed by the "Organizational and Operating Regulations for the Advanced Industrial Vocational Training Institute."

5. The institute's main tasks are:

--establishing the foundations for, maintaining and improving the vocational knowledge of the workers and advanced training for master craftsmen;

--advanced vocational training for craftsmen with secondary level and higher education;

--vocational training as preparation for filling physical and technical jobs;

--vocational training and advanced training of nonphysical staff workers in their areas of activity;

--foreign language training and case handling related to language tests that include trade terminology;

--handling the coordination necessary with the qualification of industrial technicians;

--participation in implementing the tasks of the Ministry of Industry in vocational training in the school system;

--publication of training seminar materials, notes and educational aids and of documents attesting to the completion of seminars and of vocational training;

--handling the central methodological tasks of industrial vocational training and advanced training; and

--development and coordination to promote all this and organizing and maintaining central records concerning vocational training and advanced training.

6. The institute will handle other tasks related to education and advanced training not mentioned in the previous point, as assigned on a case-by-case basis by the ministry.

7. The institute has the authority to:

--organize vocational training and advanced training regulated by the ministry, regardless of the employment relationships of the participants; and

--handle the vocational training and advanced training of workers of enterprises supervised by the cooperative industry, council managed enterprises or other ministries, within the framework of cooperative agreements.

8. This decree will go into effect 1 July 1982.

[signed] Lajos Mehes

Minister of Industry

8584

CSO: 2500/344

AGRICULTURAL INCOME REGULATION FUND SATISFACTORY

Budapest FIGYELO in Hungarian 5 Aug 82 p 15

[Article by Ferenc Fekete: "Better Than Its Reputation"]

[Text] Last year the increase in the level of income in agriculture--just as in the other branches of the national economy--also exceeded the plan. The large operations made record amounts of profit in 1980 and in 1981, and this allows one to conclude that the income regulation also provided an incentive to increase the profits of the operations. However, opinions can also be heard often according to which the tax on wages which regulates the wage level hinders financial recognition commensurate with the individual performances.

Small Gaps

Statute establishes the extent by which wage levels may increase tax free at 2.5 percent per year, the same for all major operations regardless of the wage levels reached. For wage level increases in excess of this, 100 to 500 percent tax has to be paid depending on the extent of the increase.

However, the major agricultural operations are entitled to favorable wage-tax treatment for various reasons--production of intensive crops by manual labor, the startup of certain investments, and if the wage fund does not increase in comparison to the previous year. The tax-free distribution fund can be a maximum of 14 percent of the wage fund depending on the size of per capita profit in the subject year. For distribution in excess of this, 100 to 500 percent distribution tax must be paid depending on the size of the increase.

If a large agricultural operation does not distribute fully the tax-free wages or shares in the subject year, the savings may be paid out in the following year or years. The tax-free wage-level savings may also be distributed as shares.

Thus the income regulation does contain certain opportunities for tax-free payment of the more significant personal income increases between the less labor intensive and the more labor intensive years.

In a good economic year, the justified wage-level increase in excess of the tax-free level can be covered either by the wage tax financed by the larger profit, or by the larger distribution fund. If the farm pays for the wage-level increase by wage tax, that becomes the wage-level base for the following year. This solution is fortunate in the case when the given wage-level increase promises to be a lasting one. In contrast with this, it is practical to pay for the wage level from the profit-sharing fund when the wage-level increase is related only to the outstandingly good harvest or business profit of the given year.

These elements of income regulation are employed by some of the large operations depending on the production and business profits of the subject year. Thus, for example, in order to make tax-free the higher wage levels needed to achieve the record amounts of profit in 1881, the large operations covered 0.5 percent by using up the reserves from previous years, and 0.3 percent from the profit-sharing funds. Wage taxes were used to pay for 1.5 percent of the wage levels, a significantly larger amount than in previous years.

What Must Be Considered

The labor-intensive crops--and most of these are horticultural crops--can be listed in two groups according to manpower requirements: manpower needed periodically, mostly in harvesting, done for the most part by casual help (for example, students). However, the wages paid to these latter do not affect the wage level. Thus the wage level of the TSZ's [producer cooperatives] is determined only by the labor cost (wages) paid to the members, employees, and family members of producer cooperatives for the work they do.

The statutory system of wage taxes offers various favorable treatments to growing manual-labor-intensive crops. Such benefits may be used in the production of vegetables, berries, planting fruit orchards and vineyards, or growing manually harvested potatoes. The wage fund and employment of the farms can be decreased by the direct wages and average number of nonretired members, permanent and seasonal employees, and full-time employees working in the above-listed branches.

The favorable tax treatment may also be applied separately to the above-mentioned branches, but the employment and wage data of all branches belonging in one branch group must be included. According to this, if an operation uses the favorable consideration for vegetable production, it must take into consideration the employment and wage data of all those employed in the production of all crop types that belong under vegetable production. Last year the large farms increased their tax-free wage levels by an average of 0.4 percent by using this favored treatment.

This, of course, does not sufficiently express what the extent of this favored treatment can be in a given operation, only the probability that it can be established for such reasons in farms working to a larger extent in the manual-labor-intensive branches where wage-level increases of as high as 2 to 3 percent can be made tax-free.

Instead of Temporary Labor

Sharecropping is a form of paying wages that can be used successfully in raising manual-labor-intensive crops. Its essence is that the employees receive a certain percentage of the crop, and thus they are more interested in the quantity and quality of production than if they were paid in the traditional forms. In addition, the TSZ member, employee, family member, or even the person outside the TSZ doing sharecropping work can pick the time that best suits him to do the work, and may involve his family members also in this.

Sharecropping means greater independence, but also greater risk. That is, the crop may not only be greater but also smaller than planned in spite of all the work being honestly performed.

The statute dealing with the employment of TSZ members outside their sphere of activity and working hours also offers new opportunities in the production of manual-labor-intensive crops, the essence being that contracts can be made with the TSZ members to perform physical labor outside the job area of their basic activity. Of course, payments can be made only on the basis of performance and the person with whom a contract is made, must work at least 2,200 working hours in his own job area. The wage paid for work done within the framework of employment outside the job area and working hours is not counted toward the wage level of the farm, and must be accounted for in the wages paid to temporary employees.

Thus, this statute makes it possible to have the work previously done by temporary workers, or a part of it, done by members of the TSZ and thus, presumably get it done in better quality.

Further, the income regulation also contains elements which in extraordinary cases make it possible to pay larger amounts of wages for increased demand for manual labor, without tension in the operation. Last year, for example, the farms were able to use such favored treatment to pay additional wages related to the manual harvesting of sugar beets and to irrigation.

It is conceivable, of course, that in spite of all this in given operational groups, even the wages paid for labor in proportion with performance may cause significant financial tensions. Therefore, during the course of further developing the income-regulation system it will be practical to pay more attention to the situation of the large number of agricultural operations with widely varying given natural conditions.

8584

CSO: 2500/370-1

RESPONSIBILITY FOR AGRICULTURAL INVESTMENT WEIGHED

Budapest FIGYELO in Hungarian 5 Aug 82 p 15

[Article by Istvan Bogнар: "Investments in Agricultural Operations--Who Should Own It?"]

[Text] The growth rate of investments in agricultural operations has slowed somewhat compared to earlier years, but continues to exceed the rate of production growth. Its composition has also not developed according to the plan--even though it is always specified in the ministerial guidelines published for the preparation of plans by enterprises and operations, in connection with investments: "Investments already begun and in process must be completed as soon as possible, completion deadlines should be shortened, and the additional production value of the new facilities should contribute to fulfilling medium-range plans. To this end, better planning and more concentrated implementation are needed."

Except for some investments implemented in exemplary fashion, the missing of deadlines, quality problems and laxity in contracts are chronic problems. The heads of many farms tend to explain these with only external factors independent of the agricultural operation. Even though thorough and objective evaluation proves that in most of our agricultural operations the reason for problems with investments is lack of internal knowledge and, mainly, of organization.

In agricultural operations, the managing and organizing of investments is primarily the job of the individual branch managers. This undoubtedly has the advantage that the production viewpoints prevail in the investment and professional errors occur less frequently. However, its disadvantage is that with the daily work the branch managers have little time left to direct the investment. Practically nobody handles the financial issues of the investment, the legal representation of the contracts, etc.--at least not in the time period of implementation.

Another form of local managing of investments is when the professional who fills the economic and financial position is assigned this task. At such times, of course, there are fewer financial and accounting errors, record-keeping of the means of investment is more accurate, as is the handling of payments and bills and, in some cases, the accounting of various subsidies. But professional control of the investment suffers.

The third possibility is when farms hire an outside enterprise whose business this is, to implement the investment. There are undoubtedly experts working for these enterprises, but implementation costs are high, and what is even more important than this: not in all cases do the enterprises represent without reservation the interests of the party hiring them.

The opportunity exists in the larger agricultural operations to have an independent group or department handle technical developments and investments. But even where this is not possible, it would be practical at least temporarily to set up a smaller group in which the agronomist familiar with the branch, the machine operator, etc., and the experts knowledgeable of financial matters, accounting, and last but not least, also the regulations, would participate.

It would also be the job of this group, or of its head, to decrease or smooth over the conflicts that surface between the economic units and branches interested in the investment, due to overestimating their own roles. That is, the leader--for the very reason that all information related to the investment, comes together in his hand, must judge whether, for example, the justifications of the production branch, sales, or of the financial "line" must be given more emphasis in considering them during the investment.

Such comprehensive teams can comprehensively review the technical and financial conditions of the investment, implement the job's coordination, and take timely steps to resolve bottlenecks or to correct any individual problems. It is practical for the farm to involve the designer and the builder even in preparing the investment program. They must be familiarized in detail with the requirements related to the facility, with its functions and with the productions goals related to it. Completion times, detailed deadlines of the implementation plans and the implementation possibilities based on these detailed plans must be coordinated.

Since the most important questions are decided in the first, the planning, stage of a facility, the person responsible for the facility must join in the work at this point and he must direct it beginning with the initial stage.

Nowadays our agricultural operations are still not taking advantage of the opportunities concealed in organization. Therefore, the investment-implementing enterprises, taking advantage of the lack of demands and lack of knowledge of the ordering party, often do poor-quality work.

Work must not be spared in the accurate, clear, and unambiguous wording of contracts. Particular care must be taken to review the cost offerings and cost formation of the contracting partners. This can be used not only to illustrate the demands on the partners, but also to prevent the violation of contracts and later arguments about prices.

It must be made possible for the designer to maintain a close relationship with the builders and the investors. That is, at the present time this can take place only upon special request, within the framework of a contract

drawn up for the designer to supervise the job. Unfortunately, the opportunity of cooperative discussions during implementation is not being employed sufficiently.

The farm making the investment can, first of all, lay down the foundations for common interests and good cooperative ability by creating a direct relationship with the designers and the builders.

8584

CSO: 2500/370-2

UNEXPLOITED POTENTIAL OF AGRICULTURE HIGHLIGHTED

Budapest FIGYELO in Hungarian 19 Aug 82 p 11

[Article by Dr Dezso Suto and Dr Jozsef Toth: "Billions in Reserves"]

[Text] No one doubts that there are significant reserves in the management of the agricultural cooperatives. And yet the discovery and utilization of these proceeds with difficulty although, perhaps, the utilization of these reserves has never been so urgently needed as now. Starting from this, and after long preparation, the Main Audit Directorate of the Ministry of Financial Affairs has worked out a new enterprise financial-economic auditing method for the agricultural branch. The goal, in addition to improving the efficiency of supervision, is to help uncover management reserves in agricultural operations.

Only What Others Are Capable Of

The essence of the new method is to determine in a summary fashion as reliably as possible what production value, gross income and profit could have been attained with the existing resources (land, tools, live work) of a given large agricultural operation within the framework of the given regulatory system, taking into consideration the weather for the given year, and whether the resources were well exploited.

The quotients of the values produced and producible express the degree of the utilization of resources, which is actually nothing other than the efficiency.

In determining the values that could be produced, the Main Audit Directorate uses a production function the parameters of which are the actual annual data for the best operations.

With this method, one counts as a realistically attainable value what has been achieved already on well producing farms, and thus what could also be achieved elsewhere. We are not talking about the production (gross income and profit) that could be attained theoretically with the existing resources but rather about what would be possible for the given farm with current techniques and the possible organizational level thereof.

To attain this one would need "only" those measures already adopted by other large Hungarian agricultural operations.

By calculating the function serving as a basis for the analysis each year--after grouping the individual farms according to the composition of the production value--one practically eliminates differences deriving from the weather of individual years and the financial effects following from changes in the regulator system.

Thus, finally, one reaches a relative efficiency index system, rank ordering the farms, which takes into consideration the resources and production structure of the farms but ignores the effects of subjective factors.

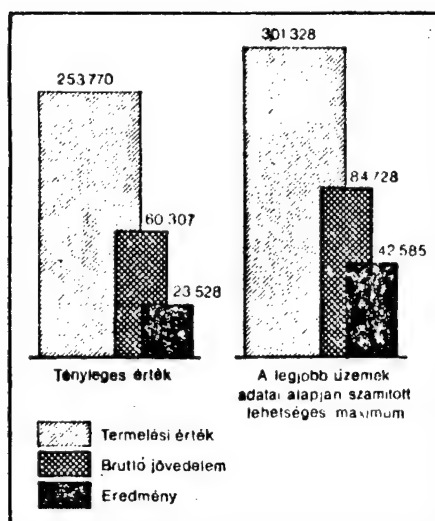
In the course of the study, the Audit Main Directorate measured the degree of utilization of resources separately in production value, gross income and profit. By combining these figures, it became possible to so rank the farms as to indicate in an approximate way those management areas where the reserves are most significant.

With this method it appears that it is possible to evaluate the individual farms on the basis of the same standard and thus to change the earlier character of supervision, which was exclusively a "search for errors." Finally, this makes it possible to bring to the surface substantially more good examples than before in the course of the studies.

Differing Thresholds of Sensitivity

In the majority of cases, the response of the farms was favorable. It is true that the quantified resource utilization index grades the leadership of a given farm, but the majority of the farms recognized that such studies, uncovering reserves that can also be expressed financially, aid in improving the efficiency of management. The method compares every farm to its own potential.

The figure shows those values that could have been attained if the large agricultural operations had utilized their existing resources everywhere as well as the best farms did.



[Textual rendition of figure: The actual and the calculated possible production data for large agricultural operations in 1981, in millions of forints. Actual values: production value, 253,770; gross income, 60,307; profit, 23,528. Possible maximum, calculated on the basis of data for the best farms: production value, 301,328; gross income, 84,728; profit, 42,585.]

According to the studies of the Audit Main Directorate, there are a number of farms where the level of production--even if the index is surprising--is unjustifiedly high compared with conditions, whereas elsewhere the existing conditions are not exploited.

In the former case, the conditions lacking can be made up for only with expenditures that harm efforts to economize. In the latter case, the failure to exploit conditions harms the profitability of the national economy and of the farm.

Development of Exploitation of Resources, in Percent

<u>Measure</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Production value	82.2	95.5	84.2
Gross income	86.3	48.6	71.2
Profit	66.2	60.7	55.3

The profitability differentiation in the large agricultural operations is getting larger. According to the studies of the Audit Main Directorate, this differentiation is caused primarily by the differing reaction capability of the farms.

Deteriorating Efficiency

According to experience, those farms that were able to increase their income despite the stricter conditions following the change in regulators changed their production structures in accordance with their conditions and the profitability relationships.

By using artificial fertilizer on the basis of soil studies, by using by-products and by using energy-saving soil cultivation methods, they decreased their material expenditures. They increased production of preferred commodity types. With the aid of association and cooperation, they improved the exploitation of productive capacity (machines and tools). They used profit interest wage payment and premium payment methods.

According to the experiences of the Audit Main Directorate, the majority of the farms fell far behind these farms in their adaptability and capability. The increasing differentiation derives from this. It is true that differentiation takes place at a higher level year after year--total income and profit are actually increasing in agriculture--but this does not change the fact that the reserves are not decreasing, rather they are increasing. New, efficient, productive production methods proven in practice are parts of production technique and ignoring them actually means an unexploited possibility just as if a machine were not operated or land were left unsown.

Farms where the relative efficiency indexes deteriorated were producing types of products the purchase prices of which did not follow the price increases for industrial materials and fuels.

On these farms, for example, they used 1.5 times the effective artificial fertilizer material justified by the actual yield averages. Animal husbandry is a deficit operation when combined with profitable crop production. Out of the high income attained from auxiliary activities they financed the production of cultures uneconomical in themselves.

Without Incentive

This list could be continued. But we must certainly speak of one factor as perhaps the most obvious possibility for progress. This is the wage level, and the actual interdependency of the wage component compared with production value. This interdependency is negative.

What this means is that the wage factor is high where the wage level is low. Manpower is relatively "expensive" where there is little production.

According to the calculations of the Audit Main Directorate, the reserves hidden in the wage level and the wage component reach 6-6.5 billion forints at the national level.

As for reserves in wages and personal income, we frequently hear that this is "only" 10-15 percent of all costs in agriculture. Savings in material and energy are substantially more important than this.

This is certainly true in regard to the figures. But if we look at gross income, wages come to more than 60 percent of this. And what is more important is that one cannot conduct material-saving or energy-saving management without making the workers materially interested in rational execution of the several operations.

So the effect of well-functioning profit interest can be measured "not only" and not primarily in wage savings; rather, it is a precondition for higher profitability, for increasing gross income. It is true that this system makes greater demands on leadership but it is also natural that if the goal is to increase efficiency--and this cannot be debated--then leadership work must be improved in the majority of the farms.

8984

CSO: 2500/382

JOINT ENTERPRISES ADVISED FOR SPECIAL FARM NEEDS

Budapest FIGYELO in Hungarian 19 Aug 82 p 11

[Article by Marton Lovas: "The Solution: A Joint Enterprise"]

[Text] In practice, enterprise interest guides production. Many enterprise leaders understand the present dual strategic task of foodstuffs production. But there are many enterprises the economic activity of which hinders the fulfillment of the basic dual economic task.

More precisely, our enterprise leaders all know that the basic task of foodstuffs production is to supply the populace, but service to economical foodstuffs export has not become an axiom for the practical activity of every enterprise participating in foodstuffs production.

The manufacture and import of fodder protein is a characteristic example of the lack of harmony among producing branches. At present, 6-8 billion forints worth of protein fodder (soy meal, fish meal, etc.) are imported each year. Despite the fact that we still have unexploited protein reserves.

The Vepex method of protein production, in which fodder with a high protein content can be made from green grass, has not spread--it is a Hungarian invention--because no enterprise interest attaches to it. (It would be of interest "only" to the national economy.)

For years a large part of the protein-containing wastes of meat plants (entrails and blood), from which meat flour could be prepared, has been thrown away. The by-products of the vegetable oil industry are also protein fodder. The basic reason for the backwardness of domestic protein production and for the large import--which hurts the balance of the national economy--is that the protein manufacturing industry has no link with agriculture, which uses the protein. Industry has no direct interest in protein production; "only" the national economy does.

The organization of the Premix manufacturing enterprise in Babolna is an exception.

The Chinoin chemical factory in Budapest and the Babolna Agricultural Combine organized a joint enterprise for the manufacture of premix. They are manufacturing Hungarian premix--an important component of poultry feed--so that it

does not have to be imported and so that Hungarian chicken will be cheaper. There are already many such examples.

The organization of and principles for guidance of foodstuffs production were set by tasks of two decades ago. Since then, however, the situation has changed; tasks have multiplied and have become more complex.

The other reason for the failure to exploit our reserves is the present system of enterprise interest. Every enterprise is interested only in its own profit. It is not interested in the profit of "neighboring" enterprises linked to it in the production and marketing process. Nor is it interested in having the final product of total enterprise operation--foodstuffs export--be advantageous for the national economy.

Consequently, we need an interest system that, in addition to the "selfish" enterprise interest, encourages every member of the vertical structure to see that export of the final product is economical. We need a form of interest in which every member of the vertical structure is affected by the profit or loss of export. Naturally, according to the merits of each.

The purposeful and harmonious cooperation of the participants in the vertical structure of foodstuffs production and the perfection of the interest system do not require some stupendous economic invention. Life has provided a solution already.

The solution provided by life is the joint enterprise. If an enterprise belonging to several different ministries participates in the manufacture of some product--as in the Premix factory in Bablona--then there is no danger of its being parceled out to a ministry.

In the vertical structure of foodstuffs production there is a need for dozens of joint enterprises that will link the state farms and associations of cooperatives (the production systems) with the machine industry and the chemical industry, with the enterprises processing foodstuffs and with foreign trade at the enterprise level.

8984

CSO: 2500/382

NEW PLANT VARIETIES PROMISE HIGHER YIELDS

Budapest NEPSZABADSAG in Hungarian 30 Jul 82 p 3

[Article by Istvan Almasi: "Corn, Sunflower, Wheat: Potential for Higher Yields"]

[Text] The man who can raise two stalks of grain where only one grew before will rightly be included among the great contributors to humanity. In our country many hundred and throughout the world many hundred thousand men, as professional researchers, deal with the question: how could agricultural production be changed so that more spikes of wheat, more ears of corn, and more sunflower blossoms could be grown?

There are possibilities for slowly and systematically improving soil cultivation, plant fertilization, plant protection and various other agricultural engineering procedures. And there are also scientific novelties, previously unknown procedures, which could have nearly explosive effects on yield. Understandably, the latter are rarities in agricultural experience. The agriculturalist does not believe in miracles. Many "miracles" have already been proven to be merely modest new techniques.

Many years must pass before we will know for certain whether the small-plot experiments being performed at the Kapolnasnyek site of the Fejer Megye Plant Protection and Agrochemical Station are indeed a miracle or just a modest novelty.

But enough for introduction!

"Treated" Plants

The immense wheat fields of the Tura production cooperative span the sides of the highway between Tura and Godollo. The July breeze waves fine, ripe spikes. In the field next to it, the stalks wave less, because shorter, stronger stems support the grain...

The wheat in Tura has since been harvested. According to Miklos Kiss, vice-president in charge of collective production, the type called GK-Szeged yielded the best results. In the field in which GK-Szeged was not treated differentially, average yield per hectare was 5917 kilograms. The field treated once, early in

growth, yielded 6520 kilograms; one treatment later in the cycle produced 6368, and two treatments 6681 kilograms. On other fields, less than 600-700 kilogram increases were obtained from the treated fields, although treated wheat consistently produced higher yields than untreated.

The sunflower and corn fields of the Tura production cooperative, like the wheat, produce plants of different sizes. The difference between treated and untreated plants is perhaps most apparent in the corn. The untreated and quite well-grown plants are about 80 centimeters taller than the untreated. Yet the shorter plants still produce much greater yield than the treated plants.

What is the explanation for the difference? How is it possible to interfere in the life of the plant so that such obvious results are produced? From the statistics on wheat yield, it is apparent that the object is not shorter stalks, but higher production. Still, what else happens to the plant besides a decrease in stem length?

"This," responds Balint Nagy, director of Plant Protection and Agrochemistry Affairs Main Department of the Ministry of Agriculture and Food, pointing to two pulled sunflower stalks. One plant is of normal height with the usual strong root system. The other, shorter-stalked plant has an extraordinarily large root system. He adds, in explanation:

"The treatment causes this thick root development. The most appropriate time for treatment, according to the present reserach, is at the time of thickening for wheat, in the six-leaved stage for sunflowers, and in the six to seven-leaved stage for corn."

That Certain Threshold

And how are the plants treated at this time? A material, the combination of several chemicals, is applied. It is obvious that the details must not be disclosed, since they belong to an area in which much is expected, and thus secrets are well kept. Instead of discussing the breakdown of the treatment chemical, Balint Nagy—who is the main organizer of the whole project, which extends over several thousand hectares--speaks of a threshold.

This is an invisible threshold, which science has reached but has not yet crossed. From this threshold, research attempts to examine those processes that occur within the plant during development of its systems. Scientists explore and examine how chemicals and hormones created in the plant's systems regulate life processes and the development of stem, roots, branches, flower and grain. With this knowledge, man himself can deliberately interfere in these processes. Thus, through increasing knowledge, according to researchers, science has reached the perimeter of deliberate interference, in research both at home and abroad.

Jozsef Karsai, who began exploratory research in this direction as a plant protection engineer with the Mezokovacshaz production cooperative, now works in Velence with the Plant Protection and Agrochemical Station. The results of the present project are due to his observations and research. With his colleagues, he produced the material, the combination of chemicals, that elicits the mentioned effect.

Without going into complex botanical processes, we can refer to an old observation: if the spring is rainy, then summer drought afflicts the plants more. In other words, the plant does not develop a stronger root system in a wet spring, because it receives adequate moisture without it. Then the lack of a strong root system is more keenly felt in a dry summer, when the period of root development has passed. The plant cannot absorb the moisture of the deeper soil layers.

Karsai and his colleagues, knowing those plant substances which increase root growth, simply induce stronger root development through artificial dosages. Meanwhile, the stem remains shorter, although the leaves on it--the surface of assimilation--do not decrease. If, within a certain period of time after treatment, the plant does not receive heavy precipitation, the information given during treatment "stays in" the plant. Thus it continues to develop the root system, although grain production is now in order. In this case, a second treatment helps to turn around the plant's metabolism. However, if the treatment is followed by ample rain, the second treatment is not necessary; the substances produced in the plant in response to precipitation automatically eliminate the effect of the root growth inducing treatment, after the thick root system has already developed.

What is the advantage of all this in practice? Many more short and strong-rooted plants can be raised on one hectare. The number of stalks of wheat per hectare--currently at 5 million--can be raised to 7-8 million, according to research to date. Some large-scale plots of corn are now producing 140 thousand plants per hectare, as opposed to the usual 60-65 thousand. The supply of sunflowers can also be increased by 40 percent. More plants mean higher yield. According to initial observations, proper treatment can result in a yield increase of approximately one ton. Yield per hectare can be increased by nearly 40 percent for corn and 30 percent for sunflowers. Wheat does not thin out, even in spring-time polder, if it does not stand in water for more than two weeks, the usual duration. (As an aside, the treatment is generally regarded as beneficial for wheat in Tura for this reason.) The protein content of the grain increases. At harvesting, a smaller quantity of stem must be moved.

Many Prerequisites

One thing must not be forgotten: the treatment increases only the potential for higher yield. This potential can be utilized only with extremely precise work and agrotechnical and technological change. If even the smallest imprecision slides into the hormone and enzyme inducing treatment, yield will decrease, not increase. In order to raise more than 100 thousand stalks of corn on one hectare of land, sowing speed must be decreased by one-half. More machines and a different system of incentives must thus be available. A new plant cultivation system must be worked out with methods and materials appropriate to the system.

Thus is the essence of the subject. The treatment substance is part domestically produced, and some components are imported; but some domestic chemicals are also available as a substitute for the imports, albeit in experimental amounts. As Imre Kovacs, director of the Plant Protection and Agrochemistry Central, mentioned, the development of research is safely resolved. The central office organizes the research well, and results are immediately converted to practice by

means of the large productive systems. They wish to perform the treatment on what is perhaps too large an area, 500,000 hectares of wheat, corn, and sunflower fields. Even if the average increase in yield from the several hundred thousand hectares falls short of successful research predictions, the probability still exists that a new, productive and economical element will be introduced into plant production technology.

9890

CS0: 2500/353

NEW CONTAINER TERMINAL PLACED IN OPERATION

Budapest VASUT in Hungarian No 8, Aug 82 p 6

[Article by Istvan Bermann: "The Siofok Container Terminal Has Been Placed in Operation"]

[Text] At the end of May, Karoly Bus, vice president of the Pecs Railroad Administration, placed in operation the Siofok container terminal, a new unit of the containerized intercity rapid transit network. The installation, equipped to handle 5-ton, medium-size containers and operating at the new Siofok commercial railroad station, is the 29th terminal in the Hungarian rail network. The handling and transferring of containers containing especially valuable consignments (medicine, parts, equipment, commercial products) is done at specifically equipped stations located in the main network and in the districts, from where the containers are transferred by public carriers and self-loading or crane motor vehicles to the destinations. This product transportation method is presently the fastest and most economical means of house-to-house transportation.

The transit policy concept approved in 1968 by the National Assembly established that containerized transportation is an important link in the modern transportation chain. A prerequisite for its operation is the effective cooperation of railroad and public highway branches. At the new Siofok commercial railroad station, which was built in record time, container transportation has been based on the cooperation of the Hungarian State Railways (MAV) and Volan No 13. Volan contributed 16 million forints to the establishment of the railroad station.

Why in Siofok?

Siofok is a rapidly developing city, a tourist center for the entire region of southern Balaton. From here the containers are transferred within a 40-kilometer zone via public highways; formerly, they were transported to the addressee from Szekesfehervar, Kaposvar or Szekszard. The reduction in the use of public highway carriers makes delivery not only cheaper--the transportation fee is reduced by 250 forints per container--but significantly faster; delivery time is a day less, on the average.

Containerized transportation has a 12-year past in our country. Daily containerized traffic was inaugurated among Budapest-Jozsefvaros-Miskolc in 1970; 3 years later, Kaposvar, the center of Somogy County, also became involved in the network and in 1981 the Barcs railroad station, the other focal point of the megye. The Siofok district station is the third such modern facility of Somogy megye. Thirty containers can be moved via two self-loading motor vehicles, but a higher capacity can be achieved in the future to meet increased demand.

Let Us Protect Our Containers!

Containers protect products exceptionally well against damage, but those loading, emptying and handling them must protect them from damage. At present, MAV has 3,000 containers; this year, they are expecting 400 new containers from the Hungarian Ship and Crane Factory. The price of an average container is 60,000 forints, so they must be loaded and moved cautiously and prudently.

The equipment and storage rooms of the Siofok commercial station are suited for the protection of both the products and containers. The railroad and Volan Enterprise workers have been given a comfortable place and modern social facilities in the modern building. The building and the entire station were built by the High and Deep Construction Enterprise of the Somogy Megye Council, within the first stage of Siofok developments. Construction of the track maintenance site is also part of the first stage to be completed before the end of 1983. Modernization of the passenger station will take place in the second stage. With the exception of the admissions building, the entire track network of the present Siofok passenger station will be modernized. This 260-million-forint project is scheduled to begin in 1984 and will be completed in 4 years.

Achieving a Steady Flow

At present, 97 percent of the containers pass loaded on the lines; thus, rhythmical scheduling of loading and unloading operations is of exceptional interest. The complete turnaround time is 6.3 days on the average, .25 slower than before. Introduction of the 5-day workweek further reduced loading opportunities; thus, MAV and Volan ask customers to unload the arriving containers on Saturdays and start their loading immediately on Monday morning, since achieving a steady flow and making the traffic faster is in the common interest of both the carrier and the customer.

9901

CSO: 2500/375

COMMENTARY ON FIRST-HALF 1982 FOREIGN TRADE NOTED

Warsaw RYNKI ZAGRANICZNE in Polish No 62-63, 22, 24 Jul 82 p 1

[Article by Maciej Tekielski: "A Difficult Half-Year and Promising Trends-- Polish Foreign Trade": passages enclosed in slantlines printed in boldface]

[Text] The first half of this year [1982] was another difficult period for our economy. Trends of decline persisted in most domains of production excepting the extractive industries. Foreign trade, on which the development tendencies of the entire economy are focused, had to reflect these processes and in addition it was affected by the economic sanctions imposed on Poland by certain Western states. How can the results achieved in foreign turnovers during the first 6 months of this year be assessed against this background?

Let us first present in synthetic form the main tendencies of our foreign trade in the first 6 months of 1982 (which are discussed in greater detail on p 8 of this issue). In current prices, exports during this period increased 1 percent compared with the first half of 1980 and imports decreased 20 percent. After the price increases are allowed for, it turns out that exports decreased about 5 percent and imports, about 25 percent. Against the background of the general tendencies in the economy, the relatively insignificant decline in exports can be regarded as /a favorable phenomenon,/ although it certainly has been below our expectations and, especially, needs.

The actual 25-percent decline in imports is keenly felt by the economy, as it compounds the supply problems of industry and the domestic market. But the difference in the dynamics of exports and imports, which in the first 6 months of 1982 exceeded 20 points, will have to be maintained for the next few years in view of the need to repay foreign indebtedness.

This can be considered from another standpoint, namely, the balance of foreign trade. In the first half of 1981 we still had recorded a deficit of more than 70 billion zlotys, whereas in the like period this year exports exceeded imports by 40 billion zlotys. These surpluses, which reduce the national income available for division as compared with the generated national income, will have to become a regular source of debt servicing. The alternative would be further additional foreign credits and further increase in indebtedness. This shows clearly that foreign trade is--and must be--a factor limiting economic growth, and that the sole way of widening this narrow bottleneck is an increase in exports.

Another characteristic process in foreign trade during the first half of this year has been the /increase in the share of socialist countries/. Compared with last year, the share of I payments area [socialist countries] in our exports has grown from 44 to 49 percent and in imports, from 47 to 60 percent. This is an additional factor to be considered in the discussion of the need for and possibilities of so-called reorientation, which is simply becoming a fact ensuring from necessity.

A few words about coal. Despite the 28-percent increase in its exports, the negative balance of trade with respect to the commodity group of fuels and energy has been reduced only one-third (from 32 to 23 billion zlotys). It can be seen from this that, for all its importance and necessity, coal itself cannot solve our problems with the balance of trade.

Is it possible to speak of the influence of the economic reform on the results of foreign trade? That would be a hazardous assertion. The guiding idea of the reform is to increase the effectiveness of economic action through the introduction of mechanisms prompting economic organizations to change in that direction. The initial period of operation of the reform, under crisis conditions, has led to a merciless baring of all economic weaknesses. In the confrontation with foreign markets, for example, it has turned out that it is almost always a rule that the higher the degree of processing of goods is, the lower their export effectiveness becomes.

On the whole, however, the results of the past 6 months indicate that positive--though forced--tendencies beginning to arise in our foreign trade, as regards relations between exports and imports. And although in the short run this may aggravate current difficulties, the further consolidation of these tendencies will offer a chance for placing the economy on solid foundations.

1386

CSO: 2600/851

SECOND QUARTER 1982 GRADUAL INCREASE IN TURNOVER NOTED

Warsaw RYNKI ZAGRANICZNE in Polish No 62-63, 22 and 24 Jul 82 p 8

[Article by Ryszard Andrzej Pospieszynski: "Second Quarter Under the Sign of Further Though Slow Increase in Turnovers"--"Polish Foreign Trade"; portions enclosed in slantlines printed in boldface]

[Text] /Foreign-trade turnover in the second quarter [of 1982] was much higher than in the first quarter--by 25.5 percent in imports and 24.7 percent in exports. Thus, the aggregate value of exports in the first half of 1982 with respect to the whole of foreign trade reached the level of 425 billion zlotys, exceeding by 0.9 percent the shipments made in a like period last year, while the aggregate value of imports in the same period was 370 billion zlotys (fob), which is only 79.1 percent of the level of the first half of 1981./

Turnover With Socialist Countries

In exports to countries of I payments area [socialist] the value of sales in the first half of 1982 was 208 billion zlotys, or 11.5 percent more than in a like period last year. The value of imports from that payments area reached the level of 221 billion zlotys (fob), continuing to exceed the value of exports to these countries. It should be added, however, that the negative balance of trade amounting to 17.3 billion zlotys in the first 5 months of the year was reduced to 13.7 billion zlotys for the first 6 months as a whole owing to the surplus of exports over imports (3.6 billion zlotys) that was achieved in June.

The yearly CPSG [Central Socioeconomic Plan] was implemented during the first half of this year 48 percent in exports to the I payments area, and the plan tasks for the second quarter were implemented 121.4 percent. Emphasis should be placed on the persisting overfulfillment of the plan for exports with respect to products of the electrical machinery industry (123.1 percent) and its underfulfillment (118.6 percent) with respect to other goods.

The PCSG tasks with respect to imports from the I payments area were fulfilled to a somewhat smaller extent, 45.8 percent, while the plan tasks for the second quarter were fulfilled 116.1 percent. A positive development, on the other hand, has been the much higher fulfillment of the plan for the imports of other goods (127 percent), that is, imports of producer goods and consumer goods. It should be added that the greatest growth in the dynamics of imports of producer goods compared with the first half of last year was recorded for the group of agri-

cultural products, fuels and energy, as well as for products of light industry and chemical industry.

Imports of the principal commodities from countries of the I payments area have increased as follows: grain and processed milled grain products, 499,000 tons (295 percent as much as in the first half of 1981); tea, 1,900 tons (167 percent); and pharmaceuticals, 3.2 million zlotys (127 percent). On the other hand, the imports of other important commodities were as follows: crude petroleum, 6.1 million tons (96 percent); and iron ore, 5.4 million tons (73.4 percent).

Among the principal goods exported to that payments area, the following were exported in larger quantities than in a like period of last year: hard coal, 5.5 million tons (154 percent); cotton and cottonlike fabrics, 12.8 million linear meters (135 percent); pharmaceuticals, 6.9 million zlotys (131 percent); copper and semifinished copper products, 12,600 tons (120 percent); coke and semicoke, 632,000 tons (115 percent). The following other goods were exported in smaller quantities than in the first half of 1981: imitation-leather footwear, 1 million pairs (66 percent); garment products, 4.7 billion zlotys (73 percent); and metallurgical products, 341,000 tons (88 percent).

The price index of goods during the first 6 months of this year in turnover with the I payments area amounted to 105.9 percent for exports and 110.9 percent for imports, in relation to mean yearly prices in 1981. The terms-of-trade indicator was at the level of 95.5, that is, it improved slightly in comparison with the first quarter of this year (94.6).

Most of the principal goods exported to I payments area were priced higher than in 1981 as a whole: the price of coal increased 15.9 percent; sulfur, 25.3 percent; coke, 11.5 percent; and metallurgical products, 0.8 percent. Copper prices, on the other hand, fell 4.6 percent.

A marked increase in prices took place for fuel and energy I payments area which account for 50 percent of total imports: 26.4 percent for crude petroleum; 24.9 percent for natural gas and 19 percent for petroleum products. It should be emphasized, however, that despite such a high price-rise indicator, the price per ton of crude petroleum imported from the Soviet Union is much lower (7,911 zlotys) than for petroleum imported from the II payments area [capitalist countries] (17,902 zlotys).

Turnover With Capitalist Countries

Although the value of turnover during the second quarter of this year was, compared with the first quarter, 16.6 percent higher for exports to the II payments area and 19 percent higher for imports from that area, it must be stated that this rate of growth has been too slow. This is demonstrated by a comparison of the results for the first half of this year with those for the first half of 1981, as well as of the state of advancement of the CPSG. Thus, with respect to the full turnover of goods, exports in the first half of this year reached the value of 217 billion zlotys, which is barely 92.5 percent of the value of exports in a like period in 1981.

The fulfillment of the yearly CPSG in the period considered was 43 percent for exports, owing to the underfulfillment of the export plan both during the first quarter (89.8 percent) and during the second (97 percent). Thus the delays that occurred in the first 2 months of the year are being compensated for, although too slowly.

For reasons that are well known, imports from the II payments area remain at an extremely low level, despite the slight improvement in the second quarter compared with the first. Their value in the first half of this year reached 149 billion zlotys (fob), i.e., 40.1 percent less than in a like period last year. Owing to the persistent surplus of exports over imports, the positive balance of trade with this payments area, which had not been planned on such a scale, has reached 68.5 billion zlotys in the first half of this year, compared with a negative balance of 13.8 billion zlotys in a like period last year.

Of the principal goods exported to the II payments area, the following were exported in larger quantities than in the first half of 1981: sugar, 32,000 tons (250 percent); hard coal, 6.2 million tons (128 percent); coke and semi-coke, 279,000 tons (138 percent); copper and semifinished copper products, 76,000 tons (118 percent); and sulfur, 985,000 tons (102 percent). The following items continue to be exported in smaller quantities than in a like period last year: bacon, ham, and canned goods, 12,000 tons (43 percent); knitwear goods, 1.2 billion zlotys (66 percent); and textile fabrics and knitted goods, 3.5 million linear meters (45.5 percent).

As regards the principal goods to be imported, noteworthy are the increased purchases of: pharmaceuticals, 4.7 billion zlotys (195 percent); phosphorites and apatites, 345,000 tons (125 percent); meat, 22,000 tons (103 percent); and tea, 12,000 tons (101 percent).

Of the principal goods imported from this payments area, the following fell in price compared with the average prices in 1981: crude petroleum (77.9 percent of the mean 1981 price); coffee beans (67.2 percent); ferromolybdenum (73 percent); phosphorites (93 percent); natural rubber (68.9 percent); varieties of staple and consumer grain (95.1 percent). The prices of the following imported consumer goods increased, on the other hand: raw meat (163 percent); hides (114.5 percent); butter (120 percent); cocoa pulp (110 percent); and wool (110 percent).

Advancement of Contractual Deliveries

The advancement of contractual deliveries scheduled for 1982 in relation to the tasks envisaged in the CPSG for 1982 accounted for 93.5 percent of the state tasks regarding exports, and 35.7 percent of the state tasks regarding imports (as calculated on an fob basis). The value of the contractual deliveries in the first 6 months of the year, compared with a like period last year (for deliveries scheduled for implementation in 1981) has been much lower--9.3 percent less in exports and as much as 16.9 percent less in imports. The decline in the value of contractual deliveries compared with the previous year chiefly affects the II payments area: 15.5 percent less in exports and as much as 34 percent less in imports, while for the I payments area this decline has been insignificant--1.6 percent less in exports and 0.4 percent less in imports.

Performance of Foreign-Trade Enterprises

Compared with a like period last year, the performance of foreign-trade enterprises in the first 6 months of this year has definitely worsened for an overwhelming majority of these enterprises. Only a few of them can boast of greater exports than in the previous year, and only a small handful attained improved results in both payments areas. Thus, the increase in export deliveries during the first half of this year to the I and II payments areas during the first 6 months of this year, compared with a like period last year, was achieved by the following, among others:

WEGLOKOKS (161 and 140 percent [for I and II payments areas], respectively); PEZETEL (140 and 101 percent); ENERGOPOL (691 and 885 percent); and LABIMEX (115 and 111 percent).

Good results in exports to countries of the I payments area were achieved by: Film Polski (258.1 percent of value of previous year's exports); NAVIMOR (138 percent); KOPEX (142 percent); AGROMET (121 percent); and in exports to the II payments area, by KOLMEX (173 percent) and BALTONA (135 percent).

1386

CSO: 2600/851

OFFICE OF PRICES MINISTER INTERVIEWED

Warsaw ZOLNIERZ WOLNOSCI in Polish 18 Aug 82 p 3

[Text] Agnieszka Suchecka interviews Professor Zdzislaw Krasinski, Office of Prices Minister.

[Question] Many Poles feel that you are responsible for the current high prices. You have been accused of trying to restore an economic and market balance mainly through price increases.

[Answer] This is how many people feel. But I think that there are fewer and fewer of them. At the beginning of the year, every day I received several hundred letters, and not all of them were supportive. Now I receive considerably fewer letters. Several scores, a dozen. But I want to emphasize that I have always believed that prices are not the most important of many elements which have to be skillfully manipulated in order to achieve an economic and market balance. Wages come first, followed by labor and prices.

[Question] But so far the prices have been of utmost importance.

[Answer] I would put it differently. They are most visible since people are extremely sensitive to them, which is understandable.

[Question] This is because there is a great deal to be suspicious about. Many prices are highway robbery. The people are simply robbed of their money. This is especially conspicuous now at farmers' markets. We are at the height of the season, the harvest has been quite good, and yet many kinds of vegetables and fruit are very expensive. The people are asking why nothing is being done about that. Why does the Office of Prices not set up maximum prices?

[Answer] We have been thinking about it. But there are two sides to this story. It would be easier if managers of the large community of Ursynow in Warsaw issued more permits for farmers markets. At Ursynow, the network of stores is negligible, and thus a small group of private farmers feels absolutely in control of the produce market. Another suggestion would be for socialized retailers to get moving and sell produce right from trucks. If the monopoly is broken and at least some competition is brought in, the prices will go down. Unfortunately, neither local authorities nor retailers

think in such categories. Many of them extoll the advantages of and the need for competition. But they do very little to encourage competition, and consequently consumers suffer. But I wish to emphasize that our foreign neighbors on all sides are very envious of our farmers markets. They have lower prices, but less produce to sell.

[Question] This is no consolation for us, especially because we envy our neighbors their stores well stocked with shoes, household goods, furniture, or cosmetics. But there is a very strong support for halting the price inflation. Recently this support has come also from the Sejm [Polish Parliament]. In his Sejm statement, the Prime Minister requested you and others to increase price check-ups and put a stop to arbitrary prices. How are you going to implement these recommendations?

[Answer] So far we have blamed especially producers of finished products for hiking up their prices. Various investigation committees visited mainly those producers, only to find out that prices were calculated quite fairly. After all, those producers cannot hide anything. Prices of domestic raw materials are official prices and cannot be changed arbitrarily. The producers of finished products have no influence on prices of elements and subassemblies, because those prices are determined by co-producers. Moreover, the producers of finished products know that they are most likely to be investigated by various committees, hence they usually prefer not to abuse their price-setting privileges. But it is a different story when it comes to producers of elements. They are small manufacturers, but they often have a monopoly on their product. It is those producers who have gone overboard hiking up prices. So far they have, for the most part, enjoyed immunity because the main thrust of the investigation committees was directed against the producers of finished products. I would use a comparison from horse racing. So far we have had the horse under control, we have been holding the reins (or, the prices of raw materials), we have skillfully applied a whip, but we have forgotten that the horse does not consist only of the head and the back, but also of the trunk. Besides, a good rider also uses spurs. Without the spurs, the horse often kicks and flings up his heels. Now we are reaching for the spurs. We will attack the whole middle sector, or the co-production turnover.

Already there are first signs that we have chosen the right path. According to our most recent information, a small producer, who has a monopoly for certain elements, has earned illegally 150 million zlotys during the last 4 months. According to the law about price controls, the producer has lost his entire illegal profit and will have to pay a fine in the same amount.

[Question] This is theory. What about practical implications?

[Answer] Unfortunately, such producers have found ardent supporters even in the ministries. But, of course, our investigation committees, for example, the Price Inspectorate, do not swerve.

[Question] We have not yet heard about the results of the Inspectorate's work, although there is a lot to be said. At any event, the people are waiting for the information.

[Answer] I agree. But I want to stress that at the beginning, when prices went up, we chose to be mere observers. We wanted the difficult situation to clarify. But now the leniency is over. We intervene decisively.

[Question] Some people say that it is against the spirit of the economic reform to interfere with price policies of individual enterprises, that it is contrary to the idea of self-government and self-financing of the enterprises.

[Answer] We mean chiefly limitations on monopolies. Even in the most liberal economic systems there are anti-cartel regulations. Everywhere monopolies are very greedy.

[Question] How should we understand the statement that the state will not take a neutral stand towards arbitrary prices?

[Answer] The state cannot be, is not, and does not want to be neutral, and I mean not only our political system. No government in its right mind can ignore the mood and demands of the people. It should not resist input from society. The government of Yugoslavia, which announced a free enterprise policy of prices and wages last March, has now declared a three-month freeze of both wages and prices. The same was done by President Mitterrand. But no government takes such measures without setting up a time limit. We have announced a freeze of official prices, effective until the end of 1982. The line of the social and economic development is very uneven. If the state focuses too much on its social programs, then after some time the economic laws become even more apparent. Thus there is an oscillation between the mood of the people and economic reasoning. The essential thing is to be able to grasp and define the optimal amplitude of those fluctuations. The Hungarians have been successful at just that.

[Question] How do you see our chances in this respect?

[Answer] We are definitely on the right path. But in our struggle to regain economic balance it is necessary to strengthen--as soon as possible--the two most important elements which we have mentioned at the beginning of our conversation, that is, wages and production. I am talking about keeping wages under control and especially about determining how much money people have at their disposal. To tell the truth, we still do not know. Moreover, there is no single institution which would control those problems. The Ministry of Finance oversees wages in the sector of craft as well as private retail and production. The Ministry of Mr Rajkiewicz controls wages and pensions, but no one knows what the total picture is. Therefore people's reactions to various developments and market decisions are often so surprising. This lack of information about people's income stands in the way of regaining a balance of goods and money flow. Equally detrimental is a continuously low production.

No price system, including price controls, can be good if stores continue to be empty. It is of utmost importance that the stores be full. We will need about 3 years to accomplish that, if the tempo of replenishing retail stocks remains the same as during the period between March and July 1982. The new

means of distribution of goods among various social groups, such as young married couples, are merely Band Aids stuck on an oozing wound. (Incidentally, my personal opinion is that we have gone too far with the assistance program to young married couples.) Moreover, the distribution system of various goods such as shoes or clothing through enterprises is, in my opinion, very unfortunate for various reasons. Over 30 percent of goods are already distributed directly to the consumer, not through the retail system. This is not fair, and it will not wipe out speculation. This system is also very difficult for purely technical reasons. Most important of all, this kind of distribution is impervious to any attempts at improving the quality of the goods. And the disrespect for quality is among the major reasons for our current problems, both nationally and in the context of everyday life of individual families.

[Question] Thank you for the interview.

9852

CSO: 2600/868

PROBLEMS OF BALANCE IN FINANCIAL SITUATION VIEWED

Situation Not Stable

Warsaw POLITYKA in Polish No 27, 21 Aug 82 pp1,4,5

[Article by Grzegorz W. Kolodko: "Imbalance"]

[Text] There is no practicable possibility of restoring the money-market balance this year in the face of the further drop in production and the simultaneous growth rate in the nominal income.

Up to now, despite the large increases in price, we have not been able to close the inflationary gap. This is particularly because there is no connection between the rise in nominal income (including wages and labor productivity) and economic effectiveness. Gaps are also caused by a significant deficit in the state budget and by a social policy often conducted with no regard for critical realities.

The market situation is essentially affected by the demand from past years being necessarily deferred and appearing this year in the form of maintenance of part of the so-called inflationary curve. By this concept I mean that part of the financial reserves of the populace which the people are ready to spend, but cannot, because there is a shortage of desirable goods. In extreme cases its level is estimated at over a trillion zlotys (see T. Jezioranski, "Don't Throw Away the Baby," ZYCIE GOSPODARCZE, 17, 1982, page 5), which is a mistake because the inflationary curve cannot be identified with all the financial resources of the people. This kind of appraisal should be treated, if not in the category of delusion, at least as a misconception. Many authors act in this case like poker players during bidding, and the higher the stakes mentioned, the more they scare us. But since we can always examine....

The estimated size of the "curve" at the end of last year came to approximately 320 billion zlotys, that is, approximately 30 percent of the total financial resources. The "curve" constitutes the difference between these resources and the free and deliberate savings, and the amount of money in circulation, necessary for normal buying and selling services.

However, the inflationary curve can be neutralized. Some of the savings of the people--and the problem here is that we do not know which part--which were of a forced nature at the time of deposit, are transformed in time into voluntary savings. This particularly refers to those forced savings occurring because of past unsatisfied demand for food and non-food items. These are fairly large savings because the share of expenditures for these goods in the past constituted approximately half of all expenditures. Therefore not all of the "curve" can be attributed to the current inflationary gap. Only some of the forced savings accumulated in previous years intensify demand this year. It should also be emphasized that at the time there is a more than twofold drop in the real value of the inflationary curve, that is, the buying power which it represents, in view of the significant price changes. In other words, in those days it would have been possible to purchase twice as many goods, if they had existed, for 320 billion than could have been purchased last year. In this way we have avoided having the inflationary curve turn into an avalanche which would have thoroughly demolished the market.

Supply

The unfavorable ratios between supply and demand constitute a fundamental threat to the money-market situation. Under crisis conditions and in the face of a still unbroken trend of dropping production (industrial production sold dropped in the first half-year by 7.8 percent in comparison to the same period last year, with the share of the processing industry being 8.9 percent), supply is still far from satisfying the flow of demand.

Supplies of goods for the market in the January-June period of this year amounted to 1,291 billion zlotys which, in current prices, means an increase of 81 percent compared to the first half of 1981. In considering the retail price rise of over 100 percent during this period, we find that in reality supply during the past half-year dropped by approximately 13 percent. It should be emphasized that the scale of retrogression here is considerably greater than in the case of industrial production or even the generated national income (presumed to drop on the order of 7 percent this year). In the first half-year market supplies of material goods, not counting articles included under state control where the supplies in general meet the allocation norms (although often unsatisfactory), must be appraised as critical. Almost everywhere they were lower than a year ago. Excuse us for making another comparison with even earlier times when we were upset about a lack of shoe-polish, while today there are not even enough shoes....

A similar deplorable situation exists in the service market, where again the supply cannot meet the demand. Expenditures by the populace for services rendered by the socialized economy amounted to 137 billion zlotys in the first half-year, which means a drop in real service value of about 12 percent, considering the increase in their prices.

This unfortunate situation is intensified by the dangerously low level of stocks of market goods which, with respect to many items, makes it impossible to preserve continuity in sales and to improve operations in the goods turnover sphere, particularly in retail trade, although queues are not the result of goods shortages alone, but also of poor trade organization. At the end of June stocks were worth 275 billion zlotys, and this means a reduction of more than half their level in constant prices.

Taking mean daily sales into consideration, the turnover period for stock amounts to about 40 days, and thus decidedly less than an undisturbed course of market transactions would require.

Therefore restoration of the stock level to an economically justified level demands an essential increase in their current amounts. However, the matter is not one of simply doubling them, but of a diversified increase in individual goods. This often demands a manifold increase in stock, particularly for articles of constant use, clothing and footwear, where production and supplies have diminished to the greatest extent.

Some satisfaction which we can observe in some sectors of the market is not at all the result of an increase in supplies, but of an increase, sometimes drastic, in retail prices, even due to state control. With respect to the majority of goods and services the market situation is still far from normal. Despite a radical rise in prices and the cost of living, no reduction in demand can be seen in the market, and the drop in retail sales in the first half of this year, at up to about 21 percent in comparison to the first half of 1981 (in comparative prices), is not the result of a lack of money but of deficiencies in production.

Money, Too Much and Too Little

In the first half of the year the nominal income of the people came to 1,513 billion zlotys, which means an increase by 57 percent compared to the same period last year. Of this amount compensation amounted to 227 billion or 15 percent of gross income. The net income of the people, that is, minus taxes and credit fees and instalments, assumed a level of 1,456 billion zlotys or 60 percent more than in the January-June period of last year. The greatest growth rate was exhibited by social services, which increased (along with compensation) at up to 135 percent, and by income from agricultural product sales to socialized procurement points, which increased by 77 percent. On the other hand emoluments for work, referring to compensation, increased by 42 percent. It is worth noting that the increase in the average nominal pay in the first half-year of 45 percent is half the result of paid-off compensation and half the result of an increase in income from other sources (regulations, readjustments, promotions and so forth). In the face of the drop in labor productivity by 2.7 percent in industry and by 9.2 percent in construction, this entire increment (except for the extractive industries and a few exceptions where real progress can be noted in management efficiency and labor production) has a *de facto* nature of "slump-flationary" compensation for the increase in living costs (see "Sick Currency," POLITYKA, 20, 1982).

The serious rise in prices and the varied rise in the nominal income of individual social and occupational groups has brought about an essential change in the demand structure. Today we still do not have a means of making an unambiguous evaluation of the direction of these changes. This is because an observation of expenditure structure does not provide many details for becoming familiar with the real state of affairs because of the deep market imbalance. The purchase structure does not correspond to the demand structure. These figures are a function of many factors, including flexibility in demand caused by prices and income (which is unusually difficult to measure under circumstances of galloping inflation), possibilities of substitution and the system of state control. The stocks of goods accumulated

earlier in households and the demand stemming from so-called inflationary expectations also exert an influence. Many expenditures, especially in the group of people with higher salaries, do not spring from any actual need for concrete goods, but from anticipation of a future price increase. Behavior of this type can help in protecting free money supplies from later depreciation and, at the same time, contribute to deepening the condition of imbalance, especially in the durable goods market. Nor is this the only case of reasonable conduct on a micro-economic scale, here households, which engender macro-social irrationality.

Against this background the growth rate of expenditures by the people for individual groups of goods is extremely varied. Along with essential shortages on the supply side, the increase in prices and cost of living and, consequently, the drop in the level of real income, which comes to about 26 percent in a statistical approach, are of fundamental importance. As a result of this distinction (in comparable prices sales of food dropped by about 15 percent, alcoholic beverages by 32 percent and non-food items by 22 percent), the working people in the January-June period of this year spent 47.2 percent to buy food, 7.7 percent to buy alcoholic beverages and tobacco products, and 45.1 percent for non-food items and services. At this time there is no way to overlook the fact that on the scale of the entire past half-year, expenditures for alcohol consumed more than 11 percent of the felt demand, which for comparison corresponds to 93 percent of the expenditures for services. It is deplorable that expenditures for alcohol devour every ninth zloty, saving the market from complete collapse. We know from elsewhere that, despite the final price decisions which have proved to be inadequate, the market for alcoholic beverages is by no means a balanced one.

The current money-market situation supports continuation of the backward food-clothing-footwear structure of consumption. Expenditures for these goods absorb roughly more than half of the budgets of all types of households.

In the face of economic retrogression, the policy of setting the income of the people, trying to compensate for the inflationary increase in prices and ignoring changes in labor productivity and management efficiency, is causing the flow of current demand to be excessive with respect to the supply offered.

The dramatic element in the situation is found in the fact that many households can scarcely manage to keep above water, while we continue to have a surplus of money for the market.

Save for What, and Why?

The balance between the monetary income and expenditures of the people this year assumes an economically justified increase in monetary reserves throughout the year some 200 billion zlotys, which is not at all a reduced amount. In actuality during the half-year these reserves have increased by 199 billion (23 billion in June alone).

In analyzing the increase in the financial resources of the people, we usually compare them to net total income. In the second half of the past decade this indicator did not exceed 6 percent (although it is difficult to speak of a market

balance during this period), while last year it came to 14 percent. In the January-June period of this year this ratio assumed almost the same level. Here, with respect to an increase in the financial reserves of the people, we have already fulfilled the annual plan in the course of 6 months....

At the end of June the financial resources of the people amounted to 1,249 billion zlotys, that is, nearly 35,000 per capita, of which savings constituted approximately 62 percent and ready cash about 38 percent. Is this a lot or a little? In the current market situation it is too much. An essential portion of these reserves are of the nature of savings dictated by the market situation and of hot money which constantly circulates through the market seeking unfortunately non-existent goods. Unfulfilled demand produces an inflationary gap, that is, the difference between the total demand created by current income and the total supply. The amount of this gap this year can be estimated at over 100 billion zlotys.

In actuality this amount will not compensate for the factual deficits in supply, since balancing the market not only requires elimination of the current inflationary gap and the absorption of the funds "forcibly" accumulated by the people in past years, but also a doubling in the stocks of market goods. In this light shortages in the supply offered will reach an amount on the order of 700 billion zlotys this year, that is, approximately 25 percent of the supplies of goods and services this year! This only goes to show how great the scale of imbalance is and how difficult the problem is to solve.

On the other hand the savings deposits of the people per capita amount only to twice the average monthly pay, which gives us one of the last (if not the last) places among the moderately and highly developed countries (for example, corresponding ratios are: 6:1 in the GDR and United States, and 5:1 in Bulgaria. The apparent paradox is based on the fact that some have nothing to save and others have nothing to save for).

On the other hand ready cash constitutes approximately 1 to 5 percent of the average monthly wages, and this level decidedly exceeds the amount economically justified. At the end of 1978 this indicator came to approximately 110 percent, thus somewhat less. The problem here is that at the present time the market is stripped of products to a large extent, and the total money-market situation is not at all inclined toward rational behavior. In this context both of these indicators, despite the slight quantitative differences, have a very distinct nature.

The amounts mentioned here are average reserves. Reality is far more complicated and all of these averages do not reflect its complexity. It is obvious that the average family or typical household does not have these mean reserves available. Many of us have reduced our own financial reserves, taking them to add to the financial consumption of our current incomes. Actually the monetary reserves of the people are distributed very unequally, and it can intuitively be assumed that a considerable part of them, although which part is not known, is concentrated in the hand of a relatively small group of people, and again which group is unknown. It is practically impossible to make any valid evaluations in this area. It can only be ascertained that a considerable amount of the monetary resources of the people employed in the socialized economy flows to non-socialized sectors as a

result of the inflationary price rises. This explains for us the phenomenon of a simultaneous hunger for money which, although too large in its total, is too small in many cases, and the hunger for goods which are insufficient in any case.

What Is to Be Done?

Action aimed at balancing the market must proceed in many channels. The problem cannot be solved without reversing the tendency to decrease production and without a systematic increase in supply. I am obviously omitting concepts suggesting a conversion of money or the Chilean solution, the so-called "free market" method.

We will not achieve much with all of this activity in limiting demand by further neutralization of the inflationary curve aimed at transforming forced savings into voluntary ones, a rise in retail prices and restrictions on the scale of nominal income growth, if they are not accompanied, or even preceded, by an improvement in management efficiency and growth in production. Restoration of the market equilibrium is a process which must be based on a more rapid growth of supply than of demand. We are faced with balancing the money-market situation at the same time as progressing in meeting the needs of all socio-occupational groups.

The depth of the domestic market imbalance is essentially the result of equally great disturbances in the investment sphere, employment, production and foreign trade. Under these circumstances its elimination requires a balancing of the economy in these spheres: market, supply, demand, and this is the area of the real economic phenomena operating in the sphere of production, not only of distribution. Therefore it cannot be satisfied on the surface alone, since the water circulating beneath its surface is muddied.

Achieving a balance also requires stabilization in the level of the real income of the people, except for cases justified by a real increase in labor productivity. Here we must sincerely answer that an increase in labor productivity in only part of this area will be honored by an increase in real income, and there will be no burying of heads in the sand. This is the result of the need to repay financial obligations assumed earlier abroad, and of the need to increase the investment liabilities of the national income in the future, among other things, for the purpose of preventing depreciation of national property and stimulating technological progress. Otherwise we are doomed to structural imbalance. Although it is difficult to be content with resoled shoes or poor sausage, this must still be done. Time lost in queues is time lost irretrievable. This is the greatest price we are paying for our deep imbalance.

Fall in Productivity

Warsaw TRYBUNA LUDU in Polish 21-22 Aug 82 p5

[Article by Jan Markusz: "Money-Market Situation in the Country (Our Own Information)"]

[Text] A drop in the real income of the people by 25 percent, tendencies toward balancing incomes and expenditures, and emoluments increasing for work.

What we heard at the Thursday press conference in the URM [Office of the Council of Ministers] basically confirms the widespread feeling that life is becoming more difficult. Production has dropped by about 22 percent, prices have increased, and supplies for the market, with the exception of state-controlled food items, continue to deviate far from the needs.

Prof Zdzislaw Krasinski, the minister of price affairs, has confirmed that in 7 months of the current year the real income of the people has dropped by an average of 25 percent in comparison to the same period last year. A worsening in living conditions, if we do not count the mitigating effect of speculators, has actually touched all groups of the people, although not to an identical extent. It is estimated that the living costs of the poorer families, despite compensation, have increased by about 5 percent, and those of the wealthy by 40 to 50 percent.

Wage disproportions have become sharper, particularly between the raw material-extractive industry (mining) and the processing industry and other sectors of the economy. The under-secretary of state in the Ministry of Labor, Wages and Social Affairs, Krzysztof Gorski, said that we are facing a great dilemma. We are aware of the fact that large groups of the people, especially the poorer ones, have felt the effects of the price rises. However, on the other hand, we cannot permit greater wage increases because there are no goods to be covered by them.

In this situation the primary task of social policy is protection of the group of people actually in the most difficult material circumstances. Among other things it has been decided, for this purpose, to make payments in the second half-year for nonrecurring services to families receiving benefits and to pensioners and annuitants. At the same time the ceiling for the lowest work emolument will be raised. Social protection for the poorest group of people will be broadened.

However, increased production has the crucial importance in gradually emerging from the crisis. Marian Krzak, the Minister of Finance, said that the processes retarding the negative consequences and gradually reviving the economy have already been begun. This has become visible, not only in the results of the raw material-extractive industry, but also in the slow improvement in activation in the processing industry and other divisions of the economy. As economic reform is introduced, a gradual improvement in the market situation is to be counted on.

However, this will not happen rapidly. Stanislaw Nieckara, the vice chairman of the NBP [Polish National Bank] stressed that it has not been possible to eliminate the so-called inflationary gap despite the rise in prices and restricted demand for goods. It is estimated that this year the gap will amount to approximately 400-420 billion zlotys.

It is a characteristic fact that, among the factors limiting production the first place is now assumed, not by a shortage of raw and other materials, although

these are still important factors in many factories, but rather a worsening of the situation in employment, especially employment of laborers. Many experts have taken early retirement. In addition the fact, that working time has been limited altogether by about 22 percent as a result of the introduction of free Saturdays, the extension of maternity leave and the increase in absenteeism is not without significance. In many enterprises second and third shifts have been eliminated. Low labor productivity and a lack of the best organization cannot help affecting the amount of production. Here then is the key to better supplies for shops and improvement in living conditions.

6806

CSO: 2600/878

COMMENTARY ON FREE TRADE AND SANCTION CONSEQUENCES

Warsaw RYNKI ZAGRANICZNE in Polish No 66, 31 Jul 82 p 1

[Article by Janusz Brzozowski: "Free Trade and Sanctions"]

[Text] In the capitalist system of society the state has long ceased to play exclusively the role of the "night watchman" who does not interfere in economic matters. A more or less developed state interventionism is at present the basis of the economic policies of the Western world. If, however, the government of a country directly intervenes in the activities of business, it most often justifies this by the desire to help the business community attain better results. Most often, but not always. For example, the imposition by the American administration of an embargo on exports to the USSR of equipment for building the Siberian gas pipeline can in no way be regarded as an action in the interest of businessmen, in the purely economic and trade sense.

The consequences of the imposition of an embargo--and of economic sanctions in general--almost always hit chiefly one's own manufacturers, causing much less detriment to the countries against which they are aimed. This is what happened with the prohibition against grain sales to the Soviet Union, ordered by President Carter in 1980. The USSR at the time found itself new suppliers, and shifts took place in the directions of world grain trade, while the United States forfeited the reputation of being a reliable supplier. The current negotiations between the United States and the EEC countries, which are increasingly invading traditional American markets, are to some extent linked precisely to the embargo imposed 2 years ago. Many countries simply no longer have confidence in the solidarity of the United States as a food exporter and prefer to look for more reliable suppliers.

Everything indicates that a similar fiasco will be the end-result of the prohibition against exports of equipment for the gas pipeline to the Soviet Union, issued by President Reagan this month. This time not only equipment produced in the United States itself is concerned, but also that produced by other countries, so long as it is based on American technology. Nearly all the Common Market countries--these being the principal partners of the Soviet Union in this transaction of exchanging equipment for gas, declared that they will not honor the American embargo and recommended to their companies that they continue the deliveries.

In recent days, a document drafted by the Office of Intelligence and Research at the Department of State has been made public. This document explicitly states that no major and immediately apparent damage to the Soviet economy is to be expected as a result of the trade restrictions. It calculates that if the highly developed capitalist countries were to halve their industrial exports to the Soviet Union during the years 1982-1983, this would retard the growth rate of the Soviet economy by at most 1 percent annually, or reduce the national income of that country by \$4.5 billion during those 2 years. This is a major counterargument to the assertion of the President that the USSR will shoulder the cost of Western trade sanctions. A similar reduction in trade for the Western exporting countries would, on the other hand, cause their gross national product to decrease by about \$30 billion.

The greatest losses would, of course, be sustained by the EEC countries, especially those having well-developed trade with the USSR. This would be felt by them all the more keenly considering that their exports of industrial products already have been tending to decline. As ensues from the latest report of the American Department of Commerce, in 1981 exports of processing-industry goods from Great Britain and Belgium decreased 15 percent compared with the preceding year. Exports by Holland, the FRG, and France fell 10-12 percent, while exports by the remaining countries stood at an unchanged level. During the same period, however, exports of Japanese products grew 16 percent, while the United States increased its share in the world exports of these goods to the highest level in the decade--20.7 percent.

Thus, the United States can afford to introduce sanctions, while the EEC countries, to which, in view of the low level of their domestic demand, export demand often is the sole factor offering a chance to emerge from the economic recession, are, for understandable reasons, not inclined to join in the American embargo. To them, any foreign contract on this scale is of much greater economic significance than it is to the giant economic organism of the United States, which is less dependent on international trade. In addition, "the ten" attach greater importance to maintaining moderately correct relations with the USSR and the other socialist countries owing also to the relatively high per capita indebtedness of East Europe to it [the EEC].

American sanctions also have another and much broader context. For it turns out that the United States, until now the West's main defender of the free-market economy and spokesman for free trade, itself represents the greatest threat to the freedom of world trade. The sanctions represent such a restriction, just as do the protectionist measures recently taken by the United States with respect to imports of steel products from the EEC, which has led to a conflict between "the ten" and its transoceanic partner. If, moreover, obstructions to trade are further expanded, the world economy will increasingly tend toward a depression. And this should be avoided at any price.

1386

CSO: 2600/851

ISSUE OF S & T IN FOREIGN TRADE DISCUSSED

S & T Achievements in Foreign Trade

Warsaw HANDEL ZAGRANICZNY in Polish No 4, 1982 p 11

[Article by MD: "Scientific and Technical Achievements in Polish Exports"]

[Text] In view of the limited capability of the Polish economy to increase commodity exports, especially processed exports--most generally speaking a consequence of the critical decrease in material production in many fields--postulates to intensify noncommodity forms of exports are being formulated. The export of scientific and technical achievements and technical services should be included in this category. This very complex and heterogeneous category of "invisible" exports include above all:

--technical documentation and consulting services integrally linked with exported complete installations, technological lines or other production equipment;

--research work results and the expertise of specialists drawn up on the basis of Poland's research and development base;

--technical services accomplished by individual specialists and services independent of consulting.¹

As indicated, as nonmaterial goods technical services and achievements (that is, know-how) can be disseminated on an international scale via material objectives.² Above all, people are specific and fundamental carriers of this dissemination. Direct contacts between people are a vital way of transferring technical know-how and thus the export of its achievements. Things are another carrier of these achievements, especially products (or their assemblies) whose structure and operations contain new and technically vital properties for the receiver.³ Proper documents (for example, technical documentation) and publications (in various forms) which appear in international turnovers regardless of product association also are objective carriers of know-how transfer.

¹ See HANDEL ZAGRANICZNY No 10/80 p 6.

² See L. Balcerowicz: "Characteristics of International Flow of Technical Know-How," SPRAWY MIĘDZYNARODOWE No 10/81

³ Ibid p 95

In light of the above-presented typology of export of technical services and achievements and the cited definition of carriers of this export, it is obvious that its expansion in essence is dependent on the capability to expand material production and the intensity of ties of a given economy with the world economy. This is probably why our exports of scientific and technical achievements (licenses and documentation) have been in a downtrend over the past 2 years. Irrespective of this, still one other--not apparent here--adaptation of capability to export scientific and technical achievements occurs, especially those that could be in a form not linked directly with the export of products. This adaptation concerns applications of domestic scientific and technical achievements on a technical, semitechnical or at least experimental scale. In principle, such scientific and technical achievements which are applied to industrial practice can be the object of independent export (licenses, know-how and technical documentation). This application represents a realistic area for promoting the given achievement and the possibility of executing a credible calculation of the projected effects of the realization.

Here we consider the effects of systemic factors which are unfavorable to the innovation process. It should be assumed, however, that the economic reform will change these adaptations, inducing industry to apply scientific and technical achievements more extensively. On the other hand, their realistic resources is another matter. If it is measured by the size of the potential of the research and development base, then the prospects are optimistic. Hundreds of thousands of qualified people are employed in this research and development base, and in many fields it is equipped with modern equipment, apparatus and tools.

Organizational barriers to expanding exports of scientific and technical achievements do not exist. In practice, such exports can be a turnover objective for every foreign-trade enterprise according to its basic area of operation, POLSERVICE also has a wide, practically unlimited area of authority here. Lately initiatives have also been taken to authorize some higher technical schools to export their achievements independently. Unfortunately, these initiatives are being taken at the ministerial level rather than being supported by the interested parties themselves. The export of scientific and technical achievements is not easy and requires high qualifications and is very labor-intensive (irrespective of the carrier to which it is linked). It represents an additional factor that does not favor its intensification. Obviously this does not mean that efforts should not be made to expand this category of export. This concerns especially the export of technical services whose potential for expanded export is now greater than in previous years.

Organizational-Legal Problems

Warsaw HANDEL ZAGRANICZNY in Polish No 4, 1982 pp 12-13

[Article by Zbigniew Ulatowski: "Organizational-Legal Problems in Exporting Scientific and Technical Achievements"]

[Text] The purpose of this article is to present the actual preparatory and canvassing procedures when exporting scientific and technical achievements and when calculating prices. As is known, problems concerning the export of scientific

and technical achievements (which in practice concerns the export of licenses) are regulated by two basic legal acts, namely the Law on Invention of 19 October 1972 (DZIENNIK USTAW [Legal Gazette] No 43, 1972) and Resolution No 77/79 of the Council of Ministers of 29 May 1979 (MONITOR POLSKI [Polish Monitor] No 16, 1979). In accordance with the legal obligatory regulation, the export of scientific and technical achievements is realized by a foreign-trade enterprise. As a consequence, the owner or disposer of a given achievement, in initiating its sales outside Poland, should approach the proper foreign-trade enterprise with an appropriate offer. The offer should include the following data and information concerning the offered achievement:

- description and field of application;
- its advantages in comparison with similar, existing solutions;
- its advantages in applying it to production;
- technical information;
- legal and patent status;
- proposals for directions of eventual export;
- possibility of linking this export with complete material deliveries;
- scope of possessed technical and technological documentation;
- reference information on the subject and possibility of demonstrating them to potential customers;
- declarations concerning the ownership status of the given achievement, its integral technical and technological documentation as well as the personages of its authors;
- suggestions concerning prices and other useful sales information.

The offer must be accompanied by the written approval of the superior unit of the owner of the achievement offered for sale outside Poland.¹

The purpose of the above data is to better inform appropriate foreign-trade enterprise employees with the subject matter of the offered scientific and technical achievement because, as a rule, they are not professionally prepared to evaluate it or to base promotional action and a foreign offer on it.

After thoroughly analyzing an offer from the viewpoint of the possibility and advisability of accepting it for export canvassing, the foreign-trade enterprise should submit an appropriate reply to the offerer, at the same time formulating conditions for conducting a survey. It appears that 1 month should be fully adequate for a foreign-trade enterprise to execute such an analysis and to assume a position. In turn, this represents the basis for concluding an

¹ If the owner of the given achievement is a state enterprise, then the superior unit is understood to be the founding body.

agreement authorizing a foreign-trade enterprise to sell (issuing a license outside Poland in the name of and for the benefit of the owner of the given scientific and technical achievement) after controversial or doubtful issues are eventually resolved. After the agreement is signed, the sides determine the survey plans, preparations of publicity material, the need to include third parties as collaborators (for example, a general supplier), calculation assumptions and price of the achievement.

The true calculation of the foreign-exchange price of the given achievement must consider specific elements--those increasing its value as well as those decreasing it. The elements are:

- the required price in negotiable zlotys of the achievement owner;
- the projected benefits the eventual buyer will achieve as a result of initiating the production and sales of products in a specific time period, taking into consideration existing competition in the license-purchase market;
- an evaluation of the status of exclusive rights to the achievement in and outside Poland, especially in the country of the intended export;
- the scope of applications of the achievement;
- the scale of implementing the achievement in Poland;
- the status and scope of the achievement's technical documentation;
- the scope of intended distribution to the eventual buyer of license rights;
- the method of payment for amounts due for the granted license;
- the period of use of the achievement by the licensee;
- projects costs to apply the achievement in Poland, technical aid for the licensee, training cadres as well as canvassing and advertising;
- interest rate of capital for credit transactions and inflation rate;
- price information for similar competitive solutions.

In an offered achievement is accepted, the foreign-trade enterprise designates the extent of the negotiating margin. It should be emphasized that each transaction should be approach separately so that the price may be competitive. Each new sale of the same achievement should be treated as the first one. In negotiating with the achievement owner to determine his foreign-exchange payment, care should be taken that the offered zloty value does not contain surcharges resulting from overhead and administrative costs, taxes, profit and the like because the foreign-exchange compensation should not be increased additionally by these surcharges. These surcharges should be submitted in the offer as a separate item and/or represent a part of the buyer's general offer.

It frequently appears that in supply contracts for machinery, equipment or complete industrial installations, the cost of a license cannot be singled out. But it must be calculated into the price of such equipment in which the surcharge should be less than 1.5 percent of the foreign-exchange value of the delivered goods. If an achievement is supposed to be sold together with the delivered goods and its value cannot be singled out in a contract with a foreign buyer, then the foreign-trade enterprise should establish an information sheet on this achievement having the legal status of a financial document and should contain:

--transaction designation, name or designation of achievement, the name of the owner (or firm), names of inventors, calculation of the worth of the achievement and the value of the achievement included in the price submitted in the contract. That last sum should be the basis for zloty and foreign-exchange settlements of the enterprise as an exporter with the owner and inventors of the achievement.

The principles for distributing revenues from the export of scientific and technical achievements are regulated by Art 1, Statute 2, Item 1; Art 8, Statute 1 and Art 6, Statute 1 of the Council of Minister's Resolution No 77 of 1979.

They are as follows:

1. the foreign-trade enterprise receives 5 percent of the revenues for promoting and canvassing the export of the achievement;
2. the inventors (or inventors) of the achievement receive 10 percent of the revenues;
3. the owner of the achievement receives 30 percent of the revenues or 40 percent if the owner is a scientific research institute or research and development center (this requires the approval of the appropriate ministry);
4. the remaining revenues, 55 percent or 45 percent respectively, after converting them in accordance with the obligatory rate of exchange, are paid in negotiable zlotys to the owner of the achievement.

In considering the above principles for distributing revenues from the sale of an achievement, the foreign-trade enterprise determines the foreign-exchange price, including its share, using the "in 100's" (and not "from 100") margin method of computing. Of course, determined prices are estimates by nature and can be increased or decreased depending on the course of negotiations with the foreign customer and assignments with the achievement owner.

The principles for distributing revenues from the export of know-how types of scientific and technical achievements are outlined in the mentioned Council of Ministers' Resolution No 77/1979 and are as follows:

1. the foreign-trade enterprise receives 5 percent of the revenues for promoting and canvassing the export of the scientific and technical achievement;
2. the owner of the achievement receives 30 percent of the revenues or 40 percent if the owner is a research and development unit or a higher school (with the approval of the appropriate ministry);

3. the inventor of the given achievement receives 10 percent of the full amount obtained from the export converted in accordance with the obligatory rate of exchange; the amount of this sloty compensation, however, is limited;

4. the foreign-trade enterprise collects the margin in zlotys to cover the cost of selling the achievement;

5. the remaining revenues obtained from the export of the given achievement is the owner's zloty compensation after converting it in accordance with the obligatory rate of exchange.

If an achievement is sold in the framework of export deliveries organized by a general supplier, the procedure is somewhat different. The owner of the achievement makes an offer to the foreign-trade enterprise to sell it abroad as formulated above. If the offer is accepted, the enterprise concludes an agreement with the owner of the achievement which will be the basis for paying the owner and inventor the compensation due them. After the export transaction is realized but before the contract is concluded, the owner of the achievement concludes an agreement with the general supplier in which the former promises to adapt his achievement to the requirements of the foreign buyer, giving appropriate guarantees and accepting other stipulations arranged with the foreign buyer. In this agreement, the value of the achievement will not be included in the value of the general supplier's deliveries in accordance with the agreement concluded between the owner and the foreign-trade enterprise. In this way, the scope of the general supplier's offer will be diminished by the value of the achievement. In its agreement with the foreign-trade enterprise, the general supplier should ascertain the readiness of the foreign-trade enterprise to pay due compensation for the sold achievement directly to the owner and inventor.

If the achievement represents a patented invention whose application requires technical and technological documentation having different owners (despite the fact that they are an integral part of a single achievement), then, in accordance with the position of the Ministry of Science, Higher Education and Technology, only those organizations and individuals named in the patent document are entitled to foreign-exchange compensation, and the owner and inventor of the documentation are compensated as they would be for a know-how type of achievement. In this situation, it is necessary for the foreign-trade enterprise to conclude three different agreements with the owners of the individual components of the achievement or authorize one of the owners to act in the name and for the benefit of the remaining two. Specifying the value in the contract of the individual components of a single achievement makes accounting easier. If specifying these values is impossible or inexpedient, then an information sheet concerning the above-described features should be established.

In deliveries of industrial installations under long-term credit conditions, the suitable export invoice (FE) issued to the contractor should be the basis for settling with the owner and inventor.

Each sold license must be registered in the register kept by the Ministry of Foreign Trade.

The procedure presented in this article is based on the March 1982 legal regulations. As the legal regulations are changed, the appropriate principles of procedures will change.

S & T Know-How Element in Promotion

Warsaw HANDEL ZAGRANICZNY in Polish No 4, 1982 pp 14-15

[Article by Maciej Luszczykiewicz: "Polish Scientific and Technical Ideas as an Economy Promotion Element"]

[Text] To date, in promoting and supplying information abroad on the economy, as a rule the basic features of industrializing Poland are exhibited, the aim of which is to project among partners an image of Poland as a highly developed country possessing modern manufacturing apparatus. With such a molded picture, the potential of Polish technical ideas undoubtedly was a very poorly appreciated element. Poland has not been adequately presented as a creator and supplier of technical ideas.

In the current situation, modifying the form of our economic information and promotion abroad is advisable so as to present Poland as a partner in cooperation that goes beyond the framework of traditional commercial ties.

Technology as a Theme for Economic Propaganda

It seems that the list of themes which could be used for this purpose could be more extensive than the so-called scientific and technical achievements in the portfolio of export offerings presented by POLSERVICE and other foreign-trade enterprises. It also can include the results of properly selected Polish research and development work presented as suitable themes for consideration in any economic propaganda program. Of course, achievements meeting the requirements of the Council of Ministers' Resolution No 77 of 29 May 1979 but not having an initially verified commercial value in the world market should be presented as themes on which work is continuing rather than as completed themes representing an export offering.

Economic Propaganda Recipients

The geographic area for economic propaganda should be so extensive as to present universally an image of Poland as a highly developed country and an interesting participant in international economic relations.

Depending on the specifics of the particular countries, the recipients can be industrial and commercial circles having a direct influence on shaping a given country's economic relations with foreign countries, and enterprises that are potential customers of Polish technical ideas. Specific promotion elements should be addressed to industrial enterprises or enterprises specializing in industrial nonmaterial goods turnovers.

The basic resources for scientific and technical promotion abroad above all are associated with Poland's participation in international exhibits. General

and multibranch exhibits would present scientific and technical ideas in the form of prototypes, models, samples of pilot runs, samples of industrial production, mockups, general descriptions of achievements, sketches, photograms and diapositives. Because of the limited space available for exhibits, the number of objects representing scientific and technical achievements would have to be limited to several dozen items, and thus the point of focus of an exposition should be its mockups and textural elements.

In considering the organizational aspects of displays, one can foresee the occurrence of similar elements at individual exhibits; some of them would be repeated at all exhibits and others would change depending on the exhibit country and the exhibit's branch profile. In association with this, we should make use of at least three exhibit variants (for example, in socialist, developed capitalist and developing countries). Trade expositions presenting scientific and technical achievements and offering services should be accompanied by branch meetings, lectures, film exhibits, press conferences, exhibits of specialized publications and the like. At these shows--and also at international conferences and symposia--it is essential that the participation of Polish inventors be assured. Publication and advertising activities also are promotional resources. More extensive use of these resources, among others, are needed:

--to include information provided annually by the PIHZ [Polish Chamber of Foreign Trade] on Polish scientific and technical achievements for the brochure POLSKA;

--to include a column in the "Polish Pages" of the JOURNAL OF COMMERCE about Polish technical ideas, representing objects of export offerings;

--to include similar information in such publications as OST-WEST HANDEL and FINANCIAL TIMES.

Propaganda Content

In promoting Polish technical ideas, one should use specific examples of the most interesting innovations. Thus the content of promotional pronouncements and texts should disclose the useful properties of selected Polish technological innovations and the names of renowned firms which have become purchasers. On the other hand, one must discontinue using the "macro" type argument referring to the output of technological ideas on a macroeconomic scale. Also, the form of exposition should not create the impression that it depicts the role Polish scientific ideas play on an international scale. This matter requires more extensive ideas play on an international scale. This matter requires more extensive investigation. The number of inventions per resident is considered to be one of the basic indexes of a given country's dynamics of technological progress as well as a verification of its economic vitality and position in the world. Thus great care must be taken when using the output of scientific and technical ideas as an economy-promotion element. As is known, in this regard Poland is inferior not only to the highly developed countries but also those approaching this level of development (including socialist). In turn, the creative potential of our research and development base cannot be a trump card, especially when one considers that we trail many countries in total outlays for research and development.

Information on particular achievements should be formulated in such a manner so as to expose as clearly as possible the advantages associated with obtaining a given license. This information also should be free of the inventor's or expert's egocentrism; on the contrary, the interest of the potential buyer and his approach to technological progress should be taken under utmost consideration.

The content of the promotional information should be adapted to the addressee's economic and technical conditions. For the socialist countries, the theme should be exposed in conjunction with production cooperation (specialization, cooperation, joint investments, joint production enterprises) and scientific and technical cooperation within the framework of CEMA. On such occasions, the interesting achievements of POLSERVICE and other foreign-trade enterprises in the area of sales to socialist country partners of technology applied in Polish industry should be presented.

For the capitalist countries, the list of licenses sold to such renowned firms as Krupp, Thyssen, Kloeckner, Industria Chimica, Sulzer, National Standard and others should be the basic argument in promoting scientific and technical achievements. In completing a presentation of POLSERVICE's achievements, some of the licenses sold by other foreign-trade enterprises, for example, CIECH, should also be mentioned. The spectacular sale to a large Canadian concern of a license to granulate sulfur could be mentioned here.

Most themes should be exposed in conjunction with the cooperation theme, creating the suggestion that the cooperative partnerships of Polish producers and renown firms are concrete examples of the significant degree of the technological maturity of Polish industry. In this context, the names of important firms with which we have long-term agreements together with the area of mutual cooperation should be an element of promotion, for example: International Harvester, Clark (truck axles, construction machinery), Singer (sewing machines), Corning Glass (kinescope components), RCA (electronic components), Massey-Ferguson-Perkins (tractors) and Steyer (trucks). The list of these firms should be carefully selected and verified. To improve the positive image of Poland's cooperative partners, the following should be presented: the stages of development of cooperation with selected firms illustrating the gradual expansion of the scope of cooperation, the increase in turnovers and the like. This is important in that comments published in the 1970's in the West (including INTERNATIONAL BUSINESS REPORTS and FINANCIAL TIMES articles) accented the lack of a program among Polish partners seeking cooperative ties with West European firms, and above all the emphasis placed on spectacular results. Thus one must try to change this unfavorable image.

A different argument must be used relative to the developing countries. Associations with the specific problems of development or investment projects of a given country should be the approach here, and only in this context should the usefulness of Polish technology in realizing these projects be suggested. The presentation of specific scientific and technical achievements should be accompanied by an extended offer to provide aid by activating production or delivering complete production lines. In this field, such achievements, executed in cooperation with West European firms, already exist in the Arab countries and should be skillfully mentioned. In a similar manner, the potential of our research and development base, which could be used to resolve a given country's

development problems, should be emphasized. But in presenting technical services, references to work done to date in various Third World countries are most convincing and should be mentioned.

In general, the developing countries have very modest research and development bases and to a great extent depend on importing technical ideas; the few specialists there are recruited mainly from the developed capitalist countries. The developing countries prefer to associate with renowned suppliers of the most modern machinery, equipment and technology from the Western countries which have been operating in these markets for a long time. Thus, suggested trilateral cooperation is highly indicated.

A certain psychological aspect is applicable here. The developing countries are very sensitive to the problems of general backwardness, poverty and developmental problems. As a rule, ignorance of the problems of these countries is a symptom of superiority and contempt. On the other hand, a good knowledge of this problem often is widely acknowledged, even with enthusiasm. This factor requires appropriate consideration in promotional activities.

11899

CSO: 2600/864

BOOK ON EEC INTEGRATION PROCESSES REVIEWED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 1-2, Jan-Feb 82 pp 142-144

[Review by Jan J. Michalek of the book "Europejska Wspolnota Gospodarcza. Zalozenia, rzeczywistosc, perspektywy" [The European Economic Community: Assumptions, Realities, Perspectives] by Krystyna Michalowska-Gorywoda, Andrzej J. Klawe and Zbigniew Zimny, Polish Economic Publishers, Warsaw, 1981, 415 pages]

[Text] The functioning of the European Economic Community [EEC] markedly influences the economic development of its member states and indirectly affects the entire world economy. The attempt by the three authors to describe the essential elements of integration processes in the EEC and their appraisal from a more than 20-year retrospect is therefore an important and needed undertaking.

In the first, historical part of this work are presented the essence, sources and forms of integration policy, and against this background, political and economical premises of the formation of the community is explained. And even though these matters have been described in Polish literature already their reiteration is expedient from the viewpoint of a comprehensive analysis of the Common Market operation.

The second part of the book is devoted to the organizational structure of the EEC and to the decisionmaking mechanism inside the integrated groupings. It describes not only the formal significance of the respective organs of communities but also the actual motives behind the operation of institutions or informal groups. This brief but pointed analysis (more broadly developed in an earlier work by Docent Michalowska-Gorywoda: "Podejmowanie decyzji w EWG" ["Decisions Making in the EEC"]) makes it easier to understand how the national interests of individual members of the grouping are being represented and the influence they exert on dynamics of economic integration. At the same time, the authors appraise pessimistically possibilities of strengthening political integration of West European states in the 1980's.

In the third part of the work, an analysis is made of assumptions and the evolution of the economic policy of the community. After discussing theoretical benefits resulting from economic integration, the most important operations of the EEC in the transition period, i.e., up to 1968, are described.

The authors quite rightly have focused their attention on the customs union and the common agricultural policy, only touching on matters connected with energy and transportation. The significance of the European Currency System and the so-called second extension of the community are also described. In this, the authors show convincingly that these steps intensify the actual economic integration only to a minor degree and in the long run may weaken the internal cohesion of the Common Market. The other forms of EEC policy (industrial, social, regional), by reason of their rather limited practical significance, are dealt with only briefly.

Finally, in the last part, the authors endeavor to define the significance of the EEC in the world economy. Here both the evolution of the system of forces inside the community and the influence of the Common Market on the whole world economy through treaty policies and changes in the flow of international trade are discussed.

The book being reviewed is thus the first attempt in our literature at a comprehensive formulation of problems connected with the economic and political integration of the West European states. Despite the fact that this treatise has been written by three persons, it constitutes a complete and compact whole. The authors avoid unnecessary repetition and make good use of present economic information concerning the EEC. The reading of this valuable and interesting book raises only some small questions of a debatable nature.

Writing about the genesis and aims of economic integration, the authors agree with the opinion of Docent W. Sliwinski that one country's joining a group makes sense only when it is beneficial to that country (p 20). However, the book rather gives the impression that this opinion has not been given sufficient prominence. In discussing the premises of integration, a rather detailed analysis is made of the theoretical significance of trade transformations and of the results of the increase in the scale of production and competition and their influence on the growth of national income. On the other hand, in writing about practical consequences, only here and there are appraisals given of the effect of the process of integration on the pace of income growth throughout the community (pp 209-210). It seems that more searching discussion of the significance of these effects for individual states would be a valuable supplement to the thesis presented and would permit a better view of the benefits accruing from the integration to members of the group. Also, rather little is said of the significance of the mobility of capital, whereas matters connected with migration of the work force are almost completely omitted. Likewise, in the analysis of the economic situation in the 1970's, connections between the integration processes on the one hand and economic development and the growth of trade turnover of members of the Common Market on the other receive only minimal attention. It is also regrettable that the authors, though appreciating the significance of measurable effects of integration (balance of losses and profits, p 21), say little about the budgetary repercussions of the common agricultural policy. A more ample discussion of budgetary policies could explain the additional sources of conflict within the EEC in the second half of the 1970's.

The whole study is amply documented with statistical materials, even though in some cases statistical data would require additional commentary or supplements. Thus, comparisons of gross national product before 1975 are presented according to market prices and currency exchange rates. Surely it was possible to give more current statistical data. One should likewise assume that the analysis according to currency rates in the second half of the 1970's is not fully satisfactory. At that time, inflation levels were differentiated and currency rates were fluid. One ought to at least point out that results would be different if comparisons were made according to purchasing power parities.

Certain ambiguities arise in the analysis of other statistical data. On page 285 we read that the level of GNP per capita in the "Six" had increased in 1973-1975 by \$1,110, whereas data on page 288 shows that the industrial production level in these countries had decreased by about 6 percent. It seems that these data require commentary that would explain the significance of inflation and changes in the structure of the formation of national income in EEC countries. Unfortunately, the book has altogether omitted the influence on the integration processes of structural transformations of the EEC states during economic crises. Yet there exist reliable publications in this matter (for example, the so-called Second Report of Maldague, prepared for the EEC Commission by independent experts).

Similar doubts surround the analysis of the state of industrial cooperation between the EEC and CEMA states. In this case, there is employed a number of tables (pp 373-382) based on data up to 1974 and prepared only on the basis of the number of contracts and not on the sums of the contract values. As is known, in the subsequent period, the number of East-West cooperative undertakings has considerably decreased, which was primarily connected with the worsening of the balance of international payments of socialist countries. For this reason, the possibilities of a direct production cooperation, which in the authors' opinion depend chiefly on changes in treaty policies of the community, are appraised somewhat too optimistically.

Finally, a description of the basic instruments of regulation of agricultural markets of the EEC should not be based on data from the second half of the 1960's. During the past several years, certain changes have occurred in this field (there were introduced, for example, sugar quotas and import schedules for fruit and vegetables).

Lastly, one more reflection. It is understandable that final conclusions require considerable simplifications and thereby somewhat endanger the cohesiveness of previously built analyses. Nevertheless, one can only regret that the authors did not write at least a few pages of summing up that would bring into relief the appraisals presented.

The above remarks do not detract from the chief merits of this valuable work. After numerous publications that showed only some fragments of integration, this book is the first that shows comprehensively the premises, mechanisms and significance of the functioning of the EEC.

COMMENTARY ON HARVESTS, GRAIN IMPORTS NOTED

Warsaw RYNKI ZAGRANICZNE in Polish No 67, 3 Aug 82 p 1

[Article by Anna Dalecka: "The Pace of the Harvest Is Increasing"]

[Text] Feverish harvesting operations are under way on our fields. The dry and sultry weather has accelerated the ripening of all grains at the same time. Now that the harvesting of rape-seed has barely been completed, it is already time to harvest barley, rye, and wheat; here and there even oats can be mown. In brief, harvesting work has piled up and a great deal of effort is needed to waste nothing from the harvests, which, despite the widely known problems, especially as regards artificial fertilizers, look quite promising.

Preliminary estimates show that this year we can harvest more than 20 million tons of grain, compared with 19.7 million tons in the previous year, which itself was quite a good harvest year, provided that the efforts of men will continue to be assisted by dry weather.

We all are aware of the tremendous importance of this year's harvest to us. In view of the colossal foreign indebtedness, the economic crisis, and the economic sanctions imposed by certain Western countries on trade with Poland, we have to rely on our own resources more than ever. The crops that we will harvest must feed not only us but also the increased--as revealed by the redent census--livestock population. Even so, certain imports will be indispensable, and these--although much lower than in the preceding year--will nevertheless burden quite considerably our balance of foreign trade. Some consolation is provided by the fact that grain prices on the international market are for the present relatively low, owing to abundant supply.

During the recently completed 1981/1982 season, the worldwide stocks of grain reached the high level of 214 million tons, and initially they were expected to further increase considerably during the new 1982/1983 season. However, owing to adverse weather conditions in several countries that are major grain producers, and especially in the USSR and Australia, these forecasts unfortunately ceased to be valid. At present, mention is being made of a balanced equilibrium of grain for the 1982/1983 season and eventual but slight further increase in grain reserves.

According to the latest estimates by American experts, the world grain harvest will not only fail to surpass last year's level but even decline and presumably amount to 1,486,000,000 tons compared with 1,503,000,000 tons harvested during the 1981/1982 season, of which wheat will account for 445 million tons, or 2 percent less than a year ago. Despite this decline, the production should satisfy world consumption, which has increased by 15 million tons to 1,484,000,000. Also expected is an increase of 5 million tons, to a total level of 219 million tons, in foreign trade in grain, allowing for the tremendous import demand by the Soviet Union which had again this year, as in the last few years, unfavorable weather conditions.

This year's aura indeed is not favorable to Soviet agriculture. First there was the chilly weather and then droughts and heat waves, and recently also copious rainfall and floods, which markedly reduce damaged the crops, so that the harvests last year. According to American sources, the Soviet harvests may total barely 170 million tons (inclusive of pulse crops), which would mean a decrease of 5 million tons below last year's level and as much as 65 million tons below the plan for this year.

In view of such prospects, vast imports by the USSR are a matter of course. Recently there arose the question of where that country would make its purchases. The commonly specified quantity is 42-46 million tons, but the future of the USSR-United States long-range grain agreement, which expires on 30 September of this year, has been a matter of concern to trade circles.

Recently, however, it was not the Soviet Union that acted as the party pushing for a new agreement. The agricultural interests in the United States are much more concerned about settling this question. It was owing to their strong pressure that President Reagan had finally to give way and, on 30 July of this year, express his consent to prolonging the current agreement for another year.

American farmers have been fearing that the current policies of the American administration to ward the USSR might deprive them of an unusually capacious sales market and thereby also of huge incomes, and that at a moment when they have available considerable surpluses for export.

For it is not only in the United States that substantial stocks of unsold grain from previous harvests have remained (31 million tons of wheat and 63.5 million tons of feed grains), and the 1982/1983 season promises to yield harvests almost as good as a year ago. By way of an example, as estimates show, the wheat harvest in the United States will total 73 million tons, that is, it will be only 3 million tons lower than in the preceding record-breaking harvesting year, while the harvests of feed grains will total 233 million tons or 15 million tons less than in the extremely good last year.

Despite the anticipated decrease in grain production, grain supplies in the United States will be so large that the government is attempting to curtail the land under grain cultivation by 20 and even 25 percent. It turns out that early in the 1982/1983 season, grain prices received by American farmers have been the lowest ever in the last 4 years. Recently, moreover, the marked strengthening of the position of the dollar has decisively reduced the attractiveness of American goods to foreign customers. In addition, other grain exporters--except Australia, where a drought reigns--expect extremely good harvests.

Unless the import demand for grain increases to a greater degree than is expected at present, grain prices should not rise markedly. It is worth noting that the initial reaction to the extension of the grain agreement with the USSR was a further slight decline in these prices.

1386

CSO: 2600/851

PROGRESS OF STATE FARM REFORM ANALYZED

New System in Trouble

Warsaw RZECZPOSPOLITA in Polish 11 Jun 82 p 4

[Article by jesz: "PGR's Without Drips"; Passages enclosed in slantlines printed in boldface]

[Text] /Scientific representatives claim that the fate of economic reform on the PGRs [State Agricultural Enterprises] is seriously endangered. If the present price ratios remain unchanged then it will be necessary to return to the system of subsidies, a fear common among some directors of agricultural enterprises/.

This fear is being shared by some, since part of the management cadres of PGRs would willingly give up the charm of independence in exchange for plentifully subsidized "implementation of intervening tasks." One cannot hope, however, for a reversal of the idea of reform. What can be expected are merely (small) corrections in the new economic-financial system of the PGRs implemented almost a year ago.

Threats to reform in agricultural enterprises originate from three sources: 1) from the /deep indebtedness/, generally unattributable to the PGRs (today it amounts to 221 billion zloty); 2) from continuously perpetuating /only a theoretical equality of all sectors of agriculture/; and 2) from the customary /commanding of activities of agricultural enterprises/ by state and local administrations.

As a result of all these threats, there is a deterioration in the financial situation of enterprises which constitutes the fundamental criterion of the goal of management in the conditions of reform.

The official fixing of prices on agricultural products deprives PGRs of the opportunity to utilize the currently most prevalent method of achieving profitability. PGRs have been forced, as it is described by one of the participants in a recent conference in the WSNS [Higher School of Social Sciences], to "dance in a closet." Let us add, in a closet from which the old wardrobe has not been removed: /the ultradetailed Collective Labor Agreement for the employees of PGRs, with its archaic substance of form

eliminates the possibility of constructing a simple relationship between work and wages, as well/.

Failure of reform in the PGRs would be a tremendous loss. Mainly because its results, in spite of all the shortcomings, have been so far greatly promising Elimination of some of the threats would nevertheless appear viable. The Bank of Food Management would not totally give up the collection of earlier dispensed credits, but at the most would discharge them partially and offer more convenient conditions of repayment--this is something that has been decided already.

/The currently prejudicial differences, for the PGRs, in the conditions of management in the individual sectors of agriculture should not be maintained; similarly, the practices of administrative interference in management activities of agricultural enterprises should be absolutely eliminated/.

Yet, it would be naive to count on a decidedly improved price ratio. That ratio is determined by the principle of the so-called parity of income of farming and it must remain the same for all sectors of agriculture. PGRs must produce profits in the same conditions in which private farmers are able to. Existence through subsidies is a life on an "intravenous support system." But what kind of life is it....

First Year Evaluated

Wroclaw GAZETA ROBOTNICZA in Polish 23 Jun 82 pp 3, 5

[Article by Szczepan Lawniczak: "What Practice Has Confirmed"; Passages enclosed in slantlines in bold face]

[Text] /The first of July marks 1 year from the implementation of the new economic-financial system in state agricultural enterprises which, together with small producers, have been considered the pylons of the reform for the entire economy. What are the results? The incentive for evaluation was provided by a recent scientific-economic conference organized by the WSNS Institute for Agricultural Policy at the PZPR Central Committee where participants included a large delegation of practicing farmers, including those from lower Silesia. It is worthwhile to mention that on the eve of the conference the Agricultural Economics Committee of the Polish Academy of Science convened for a field session at the WOPR [Voivodship Center of Agricultural Progress] Losiow, in the Opole voivodship/

Thus, a vertical and horizontal evaluation of the functioning of the system has been conducted. It was high time for it. On the one hand, we are observing fetishism of family-type farming, on the other, lack of appreciation for socialized management in agriculture; moreover, the voices are becoming louder and louder that say we are suffering in agriculture from social ownership and that the only solution is in small-scale commodity production. In the name of fairness, I would like to remind you that last year, when we had a sudden collapse of market meat deliveries, the only aid came from socialized enterprises which covered about 40 percent of the market

demands, in spite of the fact that their share of the slaughter stock was one-half [that of the private-sector farmers].

PGRs have fulfilled and still fulfill the role of an intervening factor in food management--with all the good and bad consequences of such a state of affairs.

Speaking of the present role of the state sector in agriculture, Prof Dr Conrad Bajan, enumerated three elements that support our agrarian policy in the socialized sector. The first and the most important task is in the implementation of solutions that guarantee increases in food production for the market. Secondly, socialized enterprises must be the real forerunners of agricultural progress for the entire farming industry. The economic reform cannot limit this role and the implementation of the postulates of the three "Ss" [self-government, self-dependence, self-financing] may lead to socialized enterprises closing themselves off. PGRs are and must be interested in conducting an open management, directed to contacts with private farmers. Involved here are the so-called creative functions serving private farms, both in terms of implementing new technological, economic and organizational solutions, and direct productive cooperation.

Finally, the third element determining activities on behalf of PGRs, and in PGRs, is the economic and technological reconstruction in that sector. Some experts, commenting on the difficult economic situation of the country, desire to postpone precisely these efforts on behalf of the socialized economy; that, in consequence, would lead to organizational and technological incapacitation of state farms. Most frequently, it so happens that the political opposition usurps for itself the right to interpret party agricultural policies. Those who are attempting to place the entire responsibility for failures in our agriculture on state enterprises are forgetting that the crisis with which we are now dealing is not a result of an overgrowth of socialism, but rather stems from the absence of the development of socialist production relationships, and thus social relationships.

We must get out of the crisis, but without backing out from Marxist interpretation of the socioproductive sphere. This has been done by many socialized farms that have become important and modern agricultural workshops where concern for the work force is accompanied by high production yields. It is no surprise that one of the social confrontations of the last year involved the undermining of the work force's confidence in the management of the state, and as a consequence led to parceling out of the state sector. The example of Luborgora in Zielona Gora Vojvodship is the best known but not the only one.

The participants of the two previously mentioned conferences, during the discussion on the role of socialized sector and the impact of the new economic-financial system, pointed out the need for real and equal treatment of all sectors of agriculture. It turns out that much was done to place PGRs in a worse socioeconomic situation during the post-August efforts to assure stability in small-scale commodity production. In recent weeks, decisions have been made to correct those "oversights." These pertain to such elements

as corrections of wage taxes, forwarding of collections to the ZUS [Social Security Fund], revalorization resulting from sale of products, and determination of the results of price reductions on the items related to agricultural production in enterprises. The matter of fees for chemical services, energy, fuels and some others awaits its turn for resolving. All the remarks and suggestions from PGRs on the functioning of the system in the first year are registered by a coordinating team at the National Association of PPGR [State Farm Enterprises] which is directed by Prof Dr Eugeniusz Mazurkiewicz.

State farms never had an excess of employees. The situation is not different today. The fundamental issue involves maintaining the level of employment and inducing qualified manpower into various segments of production, for the entire country, and especially the voivodships with large state agricultural sectors, such as those in lower Silesia, which requires the development, at last, of housing construction for the work force of state farms. If we are speaking of a 40-50 percent decline in rural construction generally, that decline in housing construction in PGRs reaches about 70-80 percent.

The matter is doubly sensitive because the [PGR] construction of housing is to be financed from the resources of enterprises. The recent dissolution of voivodship associations for agricultural construction and their subordination to local authorities should, organizationally, facilitate improved utilization of the construction potential in those enterprises and their redirection toward need fulfillment in the most critical segments of the agricultural infrastructure.

An interesting solution is proposed in Legnica Voivodship. There, the enterprises of agricultural construction were organizationally included among the enterprises of general construction which, in general, have a better developed potential. The construction enterprise industry, presently operating under the authority of governors, finally will be able to support the PGR housing construction, the more so since there exists the opportunity for a significant broadening of the support for the enterprises of agricultural housing construction.

I have dwelled longer on the matters of housing construction and, indirectly, cadres, not without a reason. The probes that were conducted on the new economic-financial system in the enterprises of the lower Silesia region indicate that actually the reform has been stalled at the level of combine directors. But in the agricultural plants, i.e., where the effectiveness of reform is really decided, the management has little understanding about the functioning of the principles of the reform. It follows that there is a need for educating and exchanging the management cadres in state farms.

I have noted many opinions during the discussion at the WSNS conference that corroborate that the weakness of the PGR economic system is in the insufficient work-incentive mechanism for both management and work force. What is involved is not only the current rule of the annual waiting period for the premiums fund. It is true that it is justified, but the work incentives should be based on present work results. In the current wage system of

state enterprises, and similarly in the entire state economy, the relationship between wages and work effectiveness has disintegrated. For example, the wages of an employee with three children and a nonworking spouse do not equal more than 40 percent of his total income.

Thus, in the current financial system, we have, on one hand, a builtin mechanism that restricts the independence and effectiveness of work force and management, and, on the other--as indicated by practicing PGR men--the agreed prices for the means of production in agriculture contain the hidden costs of unemployment in industry. We have here a successive contemporary phase of subsidizing, by agriculture, narrowly effective management structures and meager production results in those industries that work for agriculture.

The issue of prices and income occupies a particular place in the new system. However, as in economics, the production relationships in agriculture cannot be divorced from the social background. As far as the economic-financial system is involved, any adjustment require a precise establishment, something that was not confirmed by the practice. To sum up, as said by Conrad Bajan, mentioned earlier, the fundament of power in our system is in the worker-peasant alliance and antagonizing sectors of agriculture cannot be tolerated. It shall not be forgotten that any attempts at antagonizing the rural society are a sign of class struggle in a contemporary Polish edition.

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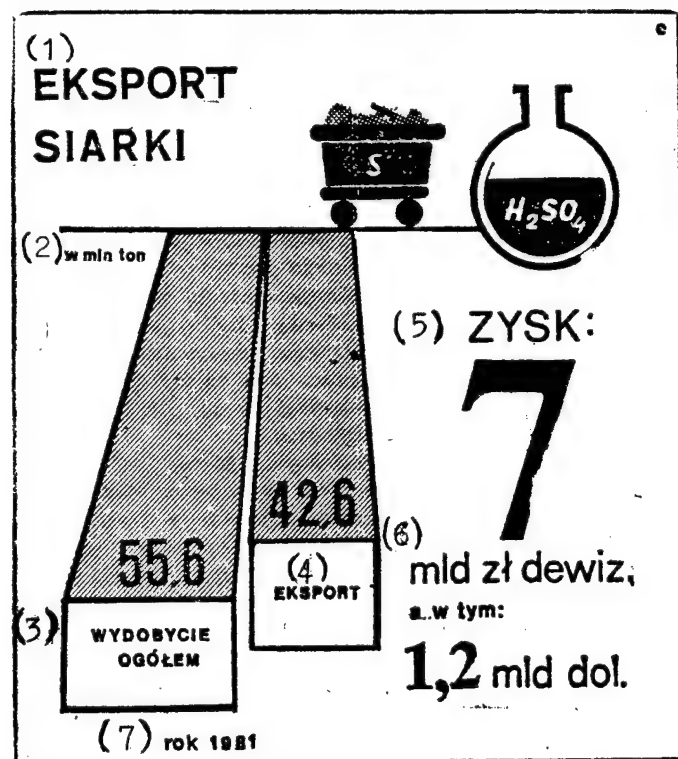
CSO: 2600/792

STATUS OF SULFUR EXPORTS REVIEWED

Warsaw RZECZPOSPOLITA in Polish 13 Aug 82 p 4

[Article by K. SZ: "The Profitable Export of Polish Sulfur. To Maintain the Present Level of Extraction"]

[Text]



Key:

- | | |
|------------------------|---|
| 1. Export of Sulfur | 5. Profit |
| 2. In millions of tons | 6. [7] Billion foreign exchange zlotys including: |
| 3. Total extraction | 7. 1981 |
| 4. Export | |

In 1981, the average price of one ton of sulfur on world markets amounted to \$128.00. Taking into account the cost of extraction, it took somewhat less than 17 zlotys for every dollar obtained from this export. This ratio perhaps best describes how beneficial sulfur trading is to Poland, all the more that we have a lot of it. Our supplies of sulfur place us in the lead position among states which have this raw material at their disposal; we are also among the leading world exporters of sulfur.

In addition, the development of the Polish sulfur industry which dates back to 1953, made it possible to fully provide for the country's needs of it. Ninety percent of the country's sulfur consumption involves the production of sulfuric acid which is then used primarily in the fertilizer industry.

Up to the end of last year [1981], a total of 55.6 million tons of sulfur were extracted of which 42.6 million tons were exported obtaining revenues of over 7 billion foreign exchange zlotys including 1.2 billion dollars from the second payments area [capitalist countries].

The outlook is promising. Demand on world markets is growing and according to estimates, it will continue to grow. With reference to Poland, there exists the potential for the sale on traditional export markets of approximately 6 million tons of sulfur which is 2 million tons more than at the present time.

However, this is hindered by the lack of extraction capabilities resulting from the failure to implement a number of investments within the last decade which were to assure in 1990 a level of extraction in order of 6.3 million tons. Within the framework of these outlays, the following had been foreseen: the reconstruction of existing mines, the construction of three new ones (each with an extraction capacity of 1 million tons annually) and the discontinuance of gas fuel because of its shortage.

The obsolete character of this program dictates that the assumed 6.3 million tons in 1990 be regarded as an unrealistic amount. The technical state of mines, investment delays and the lack of construction capabilities for even two mines simultaneously and for the concurrent reconstruction of existing mines (as an indispensable condition for the attainment of the aforementioned amount) makes it so that currently, the maintaining of the already achieved level of extraction and export is considerably more important. All the more that the mined supplies are becoming depleted while the state of state funds does not allow for excessive investment optimism.

Only the construction of an alternate mine for the "Grzybow" mine cannot be avoided because without this investment, a reduction in sulfur extraction is imminent after 1986 and that which follows--export reduction and, in effect, the loss of a part of foreign exchange revenues.

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CSO: 2600/882

MINISTER STRESSES IMPORTANCE OF LABOR FORCE TO AGRICULTURE

Bucharest FLACARA in Romanian No. 29, 23 Jul 82 p 7

[Interview with Dr Ion Tesu, Minister of Agriculture and the Food Industry, by Ovidiu Ioanitoaia]

[Text] [Question] Mr Minister, 17 years have passed since the Ninth Party Congress. What has this period meant to Romanian agriculture?

[Answer] A turning point in the lives of our people, the Ninth Party Congress marked the beginning of a complex revolutionary renewal process, which included all areas of activity, including agriculture. At the initiative of the secretary general of the party, Nicolae Ceausescu, agriculture was given a systematic, broadly democratic character, as well as a clear and dynamic perspective, which is today concretely represented by unquestionable achievements. Solely on the basis of its own means and strength, socialist Romania has created a powerful modern industrial potential, and exactly as anticipated by the Ninth Congress, industrialization has enabled it to modernize the production means of agriculture. Some figures can serve as eloquent examples. In 1981, for instance, agriculture had 155,000 tractors, compared to 81,300 in 1965, and the number of self-propelled grain combines reached 45,000, against only 292 during the base year. The 1.6 million tons of active substance chemical fertilizers, the area of more than 2.3 million hectares prepared for irrigation, the higher number of stalls in industrially oriented livestock farms, as well as the many other similar indicators that have seen substantial growth compared to 1965, are as many arguments that give the real dimensions of Romania's new agriculture, which proceeds along the vertical lines of progress and economic efficiency. Of course, the dynamics of our agriculture's development are measured not only by its endowment, but also by its increased production. In fact, production growth is the true touchstone of modernized activities, as well as a measure of the field workers' ability to use with intelligence and efficiency the technical resources which are made available to them. In terms of total average production, during the current five-year plan we note growths of more than 200 percent for grains, vegetables, grapes, fruits, and so on, compared to the 1966-1970 period. Similar growths have been recorded for animal agricultural production, with the quantities of meat, milk, wool, eggs, and so on, being higher in 1981 than in 1965. This leap is not accidental. Its explanation is the lucid and realistic policy initiated by the secretary general of the party himself. In this respect, among the first measures for improving the organization and management of agriculture are also the formation of unified state and cooperative agricultural councils (CUASC).

[Question] Could you elaborate on the role of these councils?

[Answer] Through association or cooperation, these groups organize unique activities in agricultural, industrial, or service domains, with each unit retaining its full rights of ownership. CUASC units represent the most appropriate framework for concentrating production and for specializing the farms and units that compose them; it is at the level of CUASC units that joint actions are carried out for the full and efficient utilization of land resources, of material and financial means, and of manpower. In other words, these territorial organs, coming under the jurisdiction of county general agricultural directorates, play a vital role in the unified and uniform management of agriculture in their territory, making it possible to improve component units (agricultural machine stations, agricultural production cooperatives, socialist agricultural enterprises, institutes and stations for agricultural research and production, agro-industrial high schools, and so on), both in terms of production and in the socio-economic plane, in accordance with the program for fulfilling the new agrarian revolution.

[Question] The concept you mention, the new agrarian revolution, defines exactly and in depth the current stage of development of our agriculture. It of course implies profound transformations and changes in man's consciousness. In this connection, we are tempted to ask what the country expects from villagers?

[Answer] I would answer with an invitation: go to Grindu or Girbovi in Ialomita, Purani in Teleorman, Pechea in Galati, Stoicanesti and Scornicesti in Olt, Tudor Vladimirescu in Braila, Bucov in Prahova, Plopeni in Constanta, Dumbraveni in Suceava, or Topolovatu Mare in Timis, and see what cooperative agriculture looks like today. You will find abundance and its obvious source, labor. You will see that diligence, stewardship, skill, discipline, and man's passion for new ideas find themselves at home. You will find the cooperative workers and mechanical operators, not sitting down at discussions, but working unstintingly in the fields, in vegetable farms, in livestock farms, and in other sectors of activity. You will find chairmen and specialists, mayors and all those who are charged with various responsibilities for the fate of production, not in offices, but among the men, where day by day and hour by hour decisions are made about the fate of each seed planted in a furrow, of each leu that is invested. You will discover the villages in their working clothes even on holidays. All these examples, selected among many, define even better than a theoretical exposition, the requirements and means for fulfilling the new agrarian revolution. I am referring to the demands that concern man and his revolutionary conscience as bread maker, from which all of us, the entire country, are expecting more and better things. However, conditions are not everywhere the same as in Girbovi or Purani. In agriculture as everywhere else, the consciousness of some men has lagged behind the technical-material basis, which is reflected in poorer results. This means that we must act more energetically--creating, of course, the conditions necessary for improved activities--to convince those men, and to cause all agricultural workers to understand and act with full awareness in fulfilling the great tasks that are facing our entire agriculture.

[Question] Could you discuss the matter of material vested interest? What improvements have been made in that respect, and what are the ministry's intentions?

[Answer] Despite weather conditions, which again this year created many problems, the production of straw grain in the majority of counties is good. Other products also promise good crops, and action is being taken in livestock farming to improve activities so as to achieve established productions. This is a direct result of the strong competition that began to be felt toward the end of 1981, when a new and powerful support was extended for vesting material interests through the two decrees regarding contracts for, and purchases of agricultural vegetal products, as well as animals, fowl, and animal products. As we know, the gist of these decrees is that added to purchase prices (which have been increased again for animals and animal products) is a production bonus that varies according to amounts delivered to the central fund, per hectare or head of livestock. Bonuses are also awarded for higher birthrates, increased slaughtering weight, and scheduled delivery of animals throughout the year. It is thus a whole system of material incentives that are organically integrated in the concept advanced by the party leadership about economic levers for fulfilling the new agrarian revolution. It should be mentioned in this respect that at the yields planned for 1982, the bonuses awarded for vegetal products will bring agricultural producers--meaning units of the socialist sector as well as personal farms and the household farming of peasants--an additional income of more than 14 billion lei. Added to this is the large income increase that will result from the application of the new regulations regarding deliveries of animals and animal products. Falling in the same category is the law for labor remuneration in cooperative agricultural units. The new regulation creates a framework that is better and more equitable in every respect, for assessing the work that each member of a cooperative performs to increase production and develop the unit to which he belongs, his remuneration being directly related to this contribution, and therefore acting as incentive. Keeping in mind the growing role expected to be played by animal farming in the general development of our agriculture, special remuneration measures have been established for the cooperative members who work in this sector, offering them the possibility of earning more than in the past. It is particularly significant that no ceilings exist on the incomes of cooperative members. In encouraging initiative and new ideas, the socialist agriculture has created a favorable framework for asserting the contribution of villagers, and the major role that is played by cooperative members, mechanics, and specialists--as representatives of the state--as well as by other workers in agriculture in the country's economic and social life.

[Question] It is not hard to see that the agricultural work force is threatened by old age, and to a large extent, by a surplus of women. For some time now, migration to the cities has depopulated the villages, although the phenomenon is natural, and within limits, positive. What are the prospects in this area?

[Answer] It is true that in a relatively short historical period there have been structural changes that have lowered the proportion of the population employed in agriculture. However, socio-economic conditions and the increasingly strong technical-material basis provided for agriculture have nevertheless made it possible to obtain higher productions despite the use of a smaller work force. This is a natural consequence of the modernization of our work resources, and of higher labor productivity. Still, the lack of manpower has been felt in some zones, some communes, and especially in the vicinity of towns. An explanation for this situation must be sought at the source. Inadequate economic and financial results have not offered a real and powerful incentive to retain the work force in those

units. Elsewhere, the attraction of working in the city proved to be stronger. This being the case, the need arose during the last period to slow down the migration to cities. Moreover, as indicated by the secretary general of the party, it also became a matter of bringing back to the village some of the young people, as well as other industrial workers, and primarily those who have no qualification. Agriculture's arguments are sufficiently sound and convincing. We have already talked about the higher remuneration; I will not dwell on other advantages, such as working in the open air, in a natural, unpolluted atmosphere; the continuation of an ancient profession, handed down from father to son as a relay through generations; the happiness of working with living things, with plants and animals which require great sensitivity, understanding, intelligence, and affection; and so on. But I will stress the unlimited possibilities for increasing tariff remuneration through the use of the global agreement, a fundamental element in vesting material interests, which offers those who work in agriculture extensive possibilities to earn as much as the most qualified and diligent workers in industry.

[Question] In concrete terms, can our agriculture give more than it does? If its potential is higher, and we understand that it is, what must be done to exploit it?

[Answer] You answered the first part of the question yourself. Indeed, Romania's agriculture has an undeniable potential as a result of the material efforts made by the state. Despite this, the current level of agricultural production does not sufficiently well reflect existing possibilities and reserves. Nicolae Ceausescu has justifiably criticized some of the conditions in agriculture, while pointing out the imperative need to better exploit the land fund and the entire material basis, and to achieve a new quality of labor through the accomplishment of a new and profound agrarian revolution. All of these imply the full utilization of the work force, including creating conditions for retaining young people in villages and for drawing other workers from urban environments into rural ones. At the same time, with the greater contribution of specialists--promoters of technologic progress--action must be taken to improve the organization and management of production processes, to establish a climate of order and discipline in all agricultural units, so as to obtain high productions with higher economic efficiency. As we know, the new agrarian revolution is based on a comprehensive concept of production, labor productivity, technologic level, economic efficiency, and the overall social activity of villagers. This concept assumes a profound understanding of the needs existing at the present stage, at which agriculture is asked to, and effectively supported in, making the necessary qualitative leap. This must become materialized in many and diverse concrete manifestations: greater effort on the part of cooperative members, mechanical operators, technical personnel with intermediate and higher training, and so on, to increase production; return of some workers from cities to villages, so that the agricultural unit to which they belong will produce work of higher quality, and thus fulfill its obligations in an exemplary manner; rigorous respect of technologies, optimum schedules, and quality requirements; strict discipline in labor, production, and economic-financial activities; and the assignment of highest priority to problems of animal raising, and implicitly to the production and use of feeds. I could also mention other aspects, but I think that I might run out of space. A major link in adopting such an exemplary behavior, is a sound knowledge of the new incentive measures and regulations, a knowledge which must foster an attitude toward deeper involvement in the vast effort devoted to agricultural development. Only thus will we be able to

raise each unit to the level of those that are in the lead, that is, to the level of profitable activity. Only thus will be able to exploit the great reserves for production growth that exist in each county and each commune. I might add that a vital requirement is the effective participation of each citizen in agricultural and livestock work, not only in an agricultural unit, but also around his home, on the plot made available for his use, and in his yard, every foot of which must be cultivated and where he must raise as much fowl, livestock, bees, silkworms, and other animals as possible. This is the only attitude that can reflect an exact understanding of the self-supply tasks that represent not only a personal gain, but a public gain as well. I would go even further, and state that drop by drop, these apparently insignificant contributions can create the abundance of agricultural food products that we need so much, and for which the country has the full human and material potential.

[Question] It is said that in agriculture the season lasts 365 days, and that every work day is 24 hours long. Is this true? Does this happen everywhere?

[Answer] For those who are dedicated, good workers, who know their own interests and the major concerns of our national economy, this is indeed so; agricultural work proceeds without interruption, and if need be, the night is transformed into day. In other words, the time for agriculture is all the time. Of course we have machines, more and more efficient ones, and no one denies that they and other means of modernization play a role, but man is still the decisive factor in the fate of the crop. Today, our agriculture has an increasingly stronger group of mechanical operators, peasants who belong to cooperatives, technicians, specialists with higher educations, and other dedicated and diligent workers, who intend to perform more than their duty, and for whom the agricultural season is non-stop. They are those who give a true measure of dedication, and all other workers in agriculture must work like them.

[Question] Although we sometimes view agricultural results with a critical eye, it is clear to everyone that our villages are currently wealthier and more beautiful than ever. Is this reality not a concrete, palpable result of the fact that more and better work is being done in agriculture?

[Answer] It all must be seen as a corollary of the steadfast concern shown for agriculture during the past 17 years by the party and state leadership, and by Nicolae Ceausescu. The program for fulfilling the new agrarian revolution is a guarantee of the transition to a higher stage in agricultural production, labor productivity, technologic level, economic efficiency, and general social activity in our villages and communes. The new agrarian revolution also has the task of transforming agricultural work into a variant of industrial work. This requirement becomes better defined with each passing year, and so concurrently, does the standard of living and civilization in villages become closer to that of cities. Of course, this similarity is a process that began years ago and which is in full progress; but the period following the Ninth Congress also brought the greatest municipal renewal in villages. For instance, between 1965 and the beginning of 1981, 655,000 new housing units were built in rural areas, and hundreds of thousand were modernized, while the potential of state and cooperative agricultural units improved, and the earnings and purchasing power of workers grew. Today, in nearly each family there are television sets, radios, refrigerators, electric sewing

machines, and other signs of modern comfort, not to mention the large number of cars. To this are added the the 20,000 apartments built during the 1976-1980 five-year plan alone from state funds, for workers and specialists who conduct their activities in communes, not forgetting the nearly 4000 class rooms, more than 630 laboratories and school shops, some 300 clinics, as well as the large number of kindergartens and child care centers, commercial buildings, cultural buildings, libraries, and other constructions and institutions, built in villages during the last 17 years. All of these are as many proofs that the road being followed by our party leadership, and personally by Nicolae Ceausescu, is a sound and secure road, the road to great satisfactions and achievements.

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